



OVERVIEW:

FISCAL AND BUDGETARY ACTIONS NORTH CAROLINA GENERAL ASSEMBLY

2002 SESSION

**PREPARED BY
THE FISCAL RESEARCH DIVISION
OF THE NORTH CAROLINA GENERAL ASSEMBLY**

RALEIGH, NORTH CAROLINA

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TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	i
GLOSSARY.....	A-1
TOTAL STATE BUDGET	
Budget Reform Statement (General Fund Availability)	B-1
Summary Total State Budget.....	B-2
Total State Budget by Agency	B-3
Budgeted Position Summary.....	B-6
ECONOMY AND REVENUES	
Economic Outlook and General Fund Revenues	C-1
Economic Outlook Comparison.....	C-7
Growth Rates for Major Revenue Sources	C-9
General Fund Revenue Forecast	C-11
Highway Fund Revenue.....	C-13
Highway Trust Fund Revenue.....	C-14
FEDERAL BLOCK GRANTS & SUMMARY OF MEDICAID CHANGES	
Federal Block Grant Programs.....	D-1
Changes to the Medicaid Program	D-4
SUMMARY: GENERAL FUND APPROPRIATIONS	
General Fund Appropriations 2002-2003 Fiscal Year, 2002 Session	E-1
EDUCATION	
Community Colleges.....	F-1
Public Education	F-6
University of North Carolina System	F-20
HEALTH & HUMAN SERVICES.....	G-1
NATURAL AND ECONOMIC RESOURCES	
Agriculture and Consumer Services	H-1
Commerce.....	H-10
Commerce – State Aid.....	H-16
Environment and Natural Resources	H-19
Environment and Natural Resources – Clean Water Management Trust Fund.....	H-32
Housing Finance Agency	H-34
Labor.....	H-36
N.C. Biotechnology Center	H-40
Rural Economic Development Center.....	H-42
JUSTICE AND PUBLIC SAFETY	
Correction.....	I-1
Crime Control and Public Safety	I-15
Judicial.....	I-20
Judicial – Indigent Defense.....	I-26
Justice	I-29
Juvenile Justice and Delinquency Prevention	I-32

GENERAL GOVERNMENT

Administration	J-1
Auditor	J-10
Cultural Resources	J-12
Cultural Resources – Roanoke Island Commission	J-21
General Assembly	J-23
Governor	J-27
Insurance	J-29
Insurance – Volunteer Safety Workers' Compensation Fund	J-33
Lieutenant Governor	J-35
Office of Administrative Hearings	J-37
Revenue	J-39
Rules Review Commission	J-44
Secretary of State	J-46
State Board of Elections	J-49
State Budget and Management	J-51
State Budget and Management – Special Appropriations	J-53
State Controller	J-55
Treasurer	J-58
Treasurer – Retirement for Fire and Rescue Squad Workers	J-61

TRANSPORTATION

Transportation – General Fund	K-1
Transportation – Highway Fund	K-3

INFORMATION TECHNOLOGY: INTERNAL SERVICE FUND

Office of Information Technology Services	L-1
---	-----

RESERVES, DEBT SERVICE AND ADJUSTMENTS/GENERAL PROVISIONS M-1

CAPITAL.....N-1

SALARIES AND BENEFITS

Salary Changes for Employees Supported by the State	O-1
Retirement and Pension Changes for State and Local Personnel	O-6
Benefit Changes for State and Local Personnel	O-11
State Employee Health Benefit Changes	O-12

REVENUE/FEE BILLS

Bills Affecting General Fund Revenue	P-1
Bills Affecting Highway Fund Revenue	P-25
Bills Affecting Special Revenue Funds	P-28
Bills Affecting All Local Governments	P-31

APPENDIX

Total State Budget by Source of Funds	Q-1
Total General Fund Authorizations as Adjusted to Determine Total Current Operations	Q-2
Earmarking of the Credit Balance by Fiscal Year	Q-4
Savings Reserve at Year Ending June 30	Q-5
Tax Revenues by Major Schedules (Actual)	Q-6

APPENDIX (CONTINUED)

Authorized and Actual Revenue Collections by Fiscal Year (\$ in Thousands)	Q-7
North Carolina General Fund Operating Appropriations	Q-8
Capital Improvement Authorizations	Q-12
General Obligation Bond Acts Since 1971	Q-13
Total North Carolina Budget for Debt Service.....	Q-14
North Carolina Bond Indebtedness	Q-16
Across-The-Board Salary Cost for Each 1% Increase (Millions).....	Q-18
Legislative Increases.....	Q-19
Average Salary of Employees Subject to the Personnel Act	Q-21

GLOSSARY

Adjusted Appropriation: An appropriation altered to reflect the distribution of reserves or other transfers authorized by the General Assembly.

Appropriation: An action by the General Assembly authorizing withdrawal of funds from the state treasury pursuant to Article V, Section 7 of the North Carolina Constitution.

Beginning/Ending Balance or Credit Balance: The funds available at the beginning or end of the fiscal year based upon revenue collections and expenditures.

Capital Improvements: One-time appropriations for new construction, renovations, repairs and land purchases.

Carryforward: Funds appropriated, but unspent in the first fiscal year of a biennium that are brought forward for expenditure in the second fiscal year of the same biennium.

Certified Appropriation: An appropriation as officially recorded by the Office of State Budget, Planning, and Management.

Contingency and Emergency Fund: A special reserve required by G.S. 143-12 which the Director of the Budget may expend for emergencies or other unanticipated needs with approval by the Council of State.

Continuation Budget: The part of the State budget necessary to continue the current level of services when adjusted for inflation, mandated rate increases such as social security, annualization of programs and operation of new facilities.

Current Operations: Cost associated with the daily activity of programs supported by the State, such as salaries, utilities, and travel.

Departmental Receipts: Monies received by State agencies and institutions as federal grants, charges for services performed, transfers from other governmental units, license fees, gifts and donations, or similar sources.

Disproportionate Share Funds: Share (DSH) funds are Medicaid payments made to health care providers who deliver services to large numbers of uninsured patients.

GLOSSARY (Continued)

Entitlements: Payment or benefit granted by law to individuals or political subdivisions.

Expansion Budget: The part of the State budget which provides for new programs, expansion of existing programs, and salary and benefit increases.

Federal Revenue Sharing: Program instituted by the federal government in 1972-73 and discontinued in 1982-83 to assist state/local governments.

General Fund: The fund to which revenues are deposited that are not designated for special purposes and are therefore available to support the general operations of State government.

Highway Fund: The special fund to which revenues are deposited that are designated for transportation-related operations and capital improvements.

Highway Trust Fund: A fund established in 1989 for the completion of certain specified highway construction projects.

Lapsed Salaries: Unexpended appropriations that accrue because funds have been budgeted for positions that are temporarily vacant.

Negative Reserve: A method by which a budget reduction is imposed without detailing the specific lines of expenditure to be decreased.

Nonrecurring: A term applied to revenues or expenditures that are not repeated in future years.

Reversion: The portion of an appropriation that is not expended and is returned to the fund from which the appropriation is made when the appropriation either expires or is cancelled.

Savings Reserve: An account established in G.S. 143-15.3 to reserve General Fund monies as a safeguard against economic fluctuations or major fiscal exigencies. Commonly referred to as the "Rainy Day Fund."

Special Funds: Accounts to which revenues are deposited that are designated for a specific purpose and remain in the account until expended for that purpose.

Tax Reimbursements: State revenues disbursed to local governments as reimbursements due to State-mandated tax relief measures which have a local financial impact on locals.

Total General Fund Availability: The sum of the beginning General Fund credit balance and General Fund revenues for a fiscal period.

INTRODUCTION

This document is divided into sections as follows:

Section A - **Glossary**

Section B - **Total State Budget** summarizes the composition of General Fund Availability (i.e. Budget Reform Statement) and the total state budget including federal funds and receipts.

Section C – **Economy and Revenues** describes the economic and financial backdrop against which the actions detailed in subsequent sections are conducted. Includes information on General Fund, Highway Fund and Highway Trust Fund revenues.

Section D – **Federal Block Grants and Summary of Medicaid Changes** gives a brief history of federal block grant programs and allocations for the fiscal year. Also provides a summary of recent Medicaid funding and program changes.

Section E – **Summary: General Fund Appropriations** summarizes actions taken by the General Assembly to adjust the continuation or base budget recommended by the Governor (applies to the Overview of budgetary actions taken in the long session) or to adjust the budget previously approved by the General Assembly for the second year of the biennium (applies to the Overview of budgetary actions taken in the short session).

Sections F through L – Budget adjustments (i.e. reductions and expansion) by state agency are outlined in detail and organized by appropriations subcommittee. Also summarizes special provisions in the appropriations act and other related legislation governing state agencies.

Section M – **Reserves, Debt Service and Adjustments** lists actions with statewide impact (i.e. affecting all state agencies). Also includes a summary of availability and general provisions included in the appropriations act.

Section N – **Capital** provides a list of agencies receiving appropriations for capital improvement projects. Also includes a summary of capital related special provisions.

Section O - **Salaries and Benefits** identifies salary increases, as approved, together with changes in retirement and pension plans, health insurance programs, and other benefit programs.

Section P – **Revenue/Fee Bills** provides a summary of bills authorizing various tax changes and fee increases.

Section Q – **Appendix** provides historical data relating to state revenues and expenditures, capital improvements, reversions, indebtedness, debt service and salaries.

TOTAL STATE BUDGET

Budget Reform Statement General Fund Availability

	2002-2003
Beginning Unreserved Credit Balance	25,000,000
Revenues Based on Existing Tax Structure	12,793,950,000
Non-tax Revenues	
Investment Income	115,300,000
Judicial Fees	111,300,000
Disproportionate Share	107,000,000
Insurance	46,600,000
Other Non-Tax Revenues	98,900,000
Highway Trust Fund Transfer	172,400,000
Highway Fund Transfer	15,300,000
Subtotal Non-tax Revenues	666,800,000
Total General Fund Availability	13,485,750,000
Adjustments to Availability: 2002 Session	
IRC Conformity (Pensions/Education Changes, Estate Tax Credit, Accelerated Depreciated)	15,800,000
Delay 2001 Tax Breaks (Standard Deduction/Marriage Penalty, Child Tax Credit)	51,700,000
Conform Business Income	70,000,000
Correct LLC Franchise Tax	20,000,000
Conform Gift Tax Indexing	(230,000)
Low Income Housing Credit	(2,200,000)
Repeal Reimbursements to Local Governments	333,400,000
Project Tax Collect	32,500,000
Highway Trust Fund -- recurring inflationary adjustment	80,000,000
Highway Trust Fund Transfer -- one time transfer	125,000,000
Tobacco Settlement Trust Funds -- divert MSA receipts from Tobacco Trust Fund	38,000,000
Tobacco Settlement Trust Funds -- divert MSA receipts from Health & Wellness Trust Fund	40,000,000
Transfer of Cash from Trust and Special Funds	20,438,259
Adjustment to Transfer from Insurance Regulatory Fund	600,000
Reimbursement for Unauthorized Substance Tax Division, Department of Revenue	885,884
Nontax Revenue Offsets, Department of State Treasurer	671,618
Increase Collection Rates for Offender Fees	1,160,000
Fee Increases	38,180,000
SB 1455, Strengthen Securities Fraud Enforcement Laws	271,000
Subtotal Adjustments to Availability: 2002 Session	866,176,761
Revised General Fund Availability for 2002-2003 Fiscal Year	14,351,926,761
Less: Total General Fund Appropriations for 2002-2003 Fiscal Year	(14,351,822,876)
Unappropriated Balance	103,885

Note: The Budget Reform Statement/General Fund Availability shown here differs from the availability statements included in Section 2.2 of SB 1115, 2002 Appropriations and Finance Act, SL 2002-126 and Section 10 of HB 1105, Insurance Regulatory Fund Changes, SL 2002-144. The statement shown here reflects actions taken by the General Assembly in those bills as well as SB 1455, Securities Fraud Protections and Study, SL 2002-189, which increased General Fund availability by \$271,000 and appropriated \$167,115 to the Department of the Secretary of State.

**Summary of Total State Budget
by Source of Funds
2002-2003 Fiscal Year**

	FY 2002-03 (\$ millions)
General Fund	
Current Operations	\$14,320.7
Capital Improvements/Repairs & Renovations	31.1
Subtotal General Fund Budget	<u>14,351.8</u>
 Highway Fund/Highway Trust Fund	 1,900.0
 Federal Funds	 7,676.5
 Departmental Receipts	 2,371.0
 Total State Budget -- All Sources	 <u><u>\$26,299.4</u></u>

Source: Office of State Budget and Management

Summary of Total State Budget by Agency and Appropriations Subcommittee					
(includes all funding sources)					
2002-03 Fiscal Year					
	General	Highway Trust/			
Subcommittee/Agency	Fund	Highway Fund *	Other	Federal	Total
<u>Education:</u>					
Community Colleges	669,281,390	0	143,508,211	12,818,209	825,607,810
Public Instruction	5,894,553,493	30,590,073	2,886,501	606,524,524	6,534,554,591
UNC System	1,768,097,109	0	1,018,554,382	27,490,660	2,814,142,151
Subtotal Education	8,331,931,992	30,590,073	1,164,949,094	646,833,393	10,174,304,552
<u>Health and Human Services:</u>					
DHHS - Office of the Secretary	67,784,933	0	702,139	46,523,975	115,011,047
DHHS - Aging	28,605,910	0	8,282,754	27,349,040	64,237,704
DHHS - Blind & Deaf/Hard of Hearing	9,525,102	0	1,275,794	13,394,974	24,195,870
DHHS - Child Development	281,830,361	0	56,000	263,193,803	545,080,164
DHHS - Education Services	65,477,022	0	722,102	2,084,639	68,283,763
DHHS - Facility Services	14,694,066	0	506,774	11,558,361	26,759,201
DHHS - Medical Assistance	2,189,813,795	0	391,100,686	4,411,452,983	6,992,367,464
DHHS - MH/DD/SAS	573,361,612	0	40,375,152	79,571,825	693,308,589
DHHS - NC Health Choice	45,058,178	0	0	125,410,725	170,468,903
DHHS - Public Health	100,838,313	437,623	7,665,926	243,250,569	352,192,431
DHHS - Social Services	180,580,506	0	462,494,932	606,315,236	1,249,390,674
DHHS - Vocational Rehabilitation	38,858,851	0	2,226,176	62,157,455	103,242,482
Subtotal Health & Human Services	3,596,428,649	437,623	915,408,435	5,892,263,585	10,404,538,292
<u>Natural and Economic Resources:</u>					
Agriculture & Consumer Services	50,445,582	3,586,465	18,945,298	6,282,919	79,260,264
Commerce	33,930,264	0	33,270,117	193,013,186	260,213,567
Commerce-State Aid	20,595,319	0	0	0	20,595,319
Environment and Natural Resources	148,818,587	846,102	71,783,449	41,472,289	262,920,427
Environment and Natural Resources - Clean Water Management Trust Fund	66,500,000	0	0	0	66,500,000
NC Housing Finance Agency	4,759,400	0	100,000	37,242,359	42,101,759
Labor	14,166,181	0	4,220,609	5,760,427	24,147,217
Subtotal -- NER	339,215,333	4,432,567	128,319,473	283,771,180	755,738,553
<u>Justice and Public Safety:</u>					
Correction	880,054,808	0	10,560,008	0	890,614,816
Crime Control & Public Safety	27,780,188	133,098,294	6,389,175	13,402,334	180,669,991
Judicial	294,636,169	0	252,519	0	294,888,688
Judicial - Indigent Defense	77,286,901	0	7,400,555	0	84,687,456
Justice	70,938,193	0	6,814,637	1,167,825	78,920,655
Juvenile Justice & Delinquency Prevention	128,984,633	0	7,545,544	0	136,530,177
Subtotal -- JPS	1,479,680,892	133,098,294	38,962,438	14,570,159	1,666,311,783

Summary of Total State Budget by Agency and Appropriations Subcommittee					
(includes all funding sources)					
2002-03 Fiscal Year					
	General	Highway Trust/			
Subcommittee/Agency	Fund	Highway Fund *	Other	Federal	Total
<u>General Government:</u>					
Administration	55,943,188	0	5,463,046	8,480,877	69,887,111
Auditor	11,068,708	0	50	0	11,068,758
Controller	10,422,828	0	30,945	0	10,453,773
Cultural Resources	55,817,206	0	2,250,726	4,788,585	62,856,517
Cultural Resources-Roanoke Island Commission	1,708,241	0	0	0	1,708,241
General Assembly	36,899,614	0	403,000	0	37,302,614
Governor	4,938,310	0	215,482	0	5,153,792
Insurance	23,527,552	0	26,188,256	338,858	50,054,666
Insurance - Volunteer Safety Workers' Comp	2,000,000	0	0	0	2,000,000
Lieutenant Governor	616,265	0	0	0	616,265
Office of Administrative Hearings	2,561,413	0	106,014	0	2,667,427
Revenue	75,571,304	4,038,525	1,000	0	79,610,829
Rules Review Commission	315,814	0	0	0	315,814
Secretary of State	8,108,684	0	384,577	0	8,493,261
State Board of Elections	3,395,891	0	2,500	0	3,398,391
Special Boards & Commissions	0	0	3,569,720	0	3,569,720
State Budget and Management (OSBM)	5,054,881	0	26,020	0	5,080,901
OSBM Special Appropriations	3,180,000	0	0	0	3,180,000
Treasurer	7,888,435	0	648,053	0	8,536,488
Treasurer-Retirement for Fire & Rescue Squad Workers	7,131,179	0	0	0	7,131,179
Subtotal General Government	316,149,513	4,038,525	39,289,389	13,608,320	373,085,747
<u>Transportation:</u>	10,902,500	1,723,537,238	38,617,668	825,448,590	2,598,505,996
<u>Debt Service:</u>					
General Debt Service	254,516,860	0	45,500,000	0	300,016,860
Federal Reimbursement	1,155,948	0	0	0	1,155,948
Subtotal Debt Service	255,672,808	0	45,500,000	0	301,172,808

Summary of Total State Budget by Agency and Appropriations Subcommittee					
(includes all funding sources)					
2002-03 Fiscal Year					
	General	Highway Trust/			
Subcommittee/Agency	Fund	Highway Fund *	Other	Federal	Total
<u>Reserves and Adjustments:</u>					
Compensation Increases -- Includes Teachers/Principals and Assistant/Deputy Clerks/Magistrates 2002-03 Step Increases	243,512,099	7,200,000	0	0	250,712,099
Employee Severance & Discontinued Service	5,000,000				5,000,000
Salary Adjustment Fund	500,000	0	0	0	500,000
State Health Plan	187,378,128	9,000,000	0	0	196,378,128
Retirement Rate Adjustment	(387,792,720)	(12,304,320)	0	0	(400,097,040)
Contingency & Emergency Fund	5,000,000	0	0	0	5,000,000
Governor's Efficiency Commission Recommendations	(25,000,000)				(25,000,000)
Management Flexibility Reserve	(41,500,000)				(41,500,000)
ITS Rate Reduction	(7,414,318)	0	0	0	(7,414,318)
HIPPA Implementation Reserve	2,000,000				2,000,000
Mental Health/DD/SAS Trust Fund	8,000,000				8,000,000
Ruth M. Easterling Trust Fund for Children with Special Needs	1,000,000				1,000,000
Subtotal Reserves	(9,316,811)	3,895,680	0	0	(5,421,131)
<u>Capital Improvements:</u>					
Water Resources Development Projects	31,158,000	0	0	0	31,158,000
Total State Budget (all sources)	14,351,822,876	1,900,030,000	2,371,046,497	7,676,495,227	26,299,394,600
* Note: The Highway Trust/Highway Fund column does not reflect transfers to the General Fund in the amount of \$392.7 million for the 2002-03 fiscal year. See G.S. 105-187.9 and Sections 2.2(e),(f), and (g) of SB 1115, SL 2002-126 (Appropriations Act) for information relative to this transfer.					
Source: Office of State Budget and Management					

BUDGETED POSITION SUMMARY

State of North Carolina Full-time Equivalent Position Counts by GAAP Fund Type (December 2001)

	General Fund ⁽¹⁾		Highway Fund		Enterprise	Institutional	Internal	Special	Trust	Total by
	Appropriated	Receipt	Appropriated	Receipt ⁽²⁾	Fund	Fund	Service	Fund	Fund	Sector
Government Sector										
State Government										
UNC System	28,913	1,395	-	-	5,433	13,884	-	-	-	49,625
Justice and Public Safety	28,212	288	1,858	-	-	-	433	191	-	30,982
Health & Human Services	9,155	8,946	-	-	34	-	12	665	4	18,816
Transportation	-	-	8,200	6,177	-	-	-	-	-	14,378
Natural & Economic Resources	4,178	1,124	86	-	89	-	-	3,010	150	8,636
General Government	4,160	407	68	-	1	-	636	363	-	5,635
Education (State Administration)	485	175	-	-	-	-	-	-	14	674
Sub-total	75,103	12,335	10,212	6,177	5,557	13,884	1,081	4,229	168	128,747
Local Education										
Public Schools	139,503	-	115	-	-	-	-	-	-	139,618
Community Colleges	13,770	-	-	-	-	-	-	-	-	13,770
Sub-total	153,273	-	115	-	-	-	-	-	-	153,388
Total by GAAP Fund Type	228,376	12,335	10,328	6,177	5,557	13,884	1,081	4,229	168	282,135

Notes:

1) Salary Base includes 1,111 positions in Reserve budget codes.

2) Includes 5,643 work order positions funded out of construction and maintenance line-items in the Highway Fund Budget.

Source: Survey of State Agencies and Other State-funded Institutions, Fiscal Research Division, NC General Assembly, Office of State Budget and Management, December 2001.

ECONOMY AND REVENUES

ECONOMIC OUTLOOK AND GENERAL REVENUES

2001-02 Experience

Last fiscal year was marked by the largest revenue shortfall since the 1990-91 recession. The amount of the shortage, expressed in dollar terms and as a percentage of the forecast, is summarized below. The numbers are shown on both an “actual” basis and an “economic” perspective due to the impact of tax law changes and other special factors on the comparison between 2000-01 and 2001-02.

<u>Actual Basis</u>	(\$Mil.)
Actual Revenue	13,157.6
Less: Budgeted Revenue	<u>-14,713.1</u>
Revenue Difference	- 1,555.5
Actual Growth Rate	-1.0%
Budgeted Growth Rate*	<u>+10.8%</u>
Difference	-11.8%
<u>“Economic” Basis**</u>	
Actual Growth Rate	-6.2%
Budgeted Growth Rate	<u>+4.0%</u>
Difference	-10.2%

* Includes tax changes

**Adjusted for impact of tax law changes, lawsuit payouts, and tax refund processing delays. The revenue forecast used in the budget process begins with this calculation and adds or deducts the impact of tax changes.

There are a number of factors that affected the performance of the forecast. First is the timing issue. The budget revenue estimate was adopted in August 2002, one month prior to the events of September 11. This consensus outlook was developed after a review of the state economic forecast by three North Carolina bank and university economists. The analysis of the outside experts suggested revenue growth of 5.0-5.5%. The rate actually adopted was 4.0%.

The budgeted rate was also lower than the amount based on the DRI/WEFA economic outlook purchased by the Office of State Budget and Management. Finally, the rate compares favorably with that used in surrounding states as reported in a National Conference of State Legislatures survey:

South Carolina	6.5%
Virginia	6.9%
Georgia	7.2%

The reason for the seemingly optimistic forecasts is that prior to September 11 many economists felt that the economy had escaped a recession. In fact, there were tentative signs that a recovery from the 2000-01 slowdown was underway. The events of September 11 changed all that. The fallout from the attacks led to FY 02 budget shortfalls in 44 states. In many states, the budget gap was larger than the 1990-91 problem.

The impact first became evident in North Carolina around September 25 when the sales tax remittance from large merchants for the September 1-15 retail period was tabulated. These numbers confirmed that many consumers were glued to the television screen during the first few days following the attacks.

The effect of September 11 on the employment side of the economy was more difficult to track. The main reason was the fact that starting in mid-1999, the combination of NAFTA and merger/consolidation activity in the banking and healthcare sector was already leading to a pronounced slowdown in job growth in the state. Data illustrating this trend is shown below:

	% Change in Employment*		
	<u>Manufacturing</u>	<u>Financial**</u>	<u>Services</u>
1999	-1.9%	7.6%	7.1%
2000	-3.0%	1.8%	4.8%
2001	-3.2%	2.2%	2.7%
2002	-6.7%	-.3%	.7%

*February of each year compared to prior February

**Includes finance, insurance, and real estate sectors

The recession was characterized by the steepest drop in corporate profits in over five decades, leading to a 27% decline in corporate income tax receipts in North Carolina. The profits squeeze was caused by the inability of businesses to pass on higher wage and energy costs. Indeed, the “pricing power” of all levels of business activity has been non-existent for a couple of years.

The final issue adversely affecting General Fund revenue during 2001-02 was the bear market in stocks that began in March 2000. The impact has been especially hard on technology and telecommunications shares.

The effect of the markets on the state budget did not come as a surprise. The official budget forecast assumed a 12% decline in the equity prices and a 23% drop in capital gains for the 2001 tax year. However, the impact of September 11, combined with the shift in portfolios in recent years to risky NASDAQ stocks, caused gains to drop by 47%.

The breakdown of the shortfall by tax schedule is shown on Page C-6.

National Economic Outlook for 2002-03

The recovery from the events of September 11 has been the most sluggish in decades. The first stage of the turnaround, beginning in November 2001, was fueled by favorable interest rates, rapid money supply growth, and aggressive fiscal policy (tax cuts, federal disaster assistance). In addition, the level of business inventories fell by a record amount during the fourth quarter of 2001, setting the stage for a ramping up of production.

Around March, the recovery began to experience what some economists are calling a “soft spot.” This loss of momentum was similar to the slowing that began in late 1991 just six months after the recovery from the Gulf War had begun. In fact, the 1991-93 recovery sputtered three times before a more permanent acceleration took place in mid-1993.

During the summer of 2002, the indicators began to show a reacceleration. Examples included unemployment claims, retail sales, money supply growth, refinancing activity, and surveys of company executives.

Even though positive signs were popping up every day, we remained concerned with the fragility of the recovery. One problem is the prolonged weakness in equity prices, especially for NASDAQ stocks. This decline has devastated the value of 401(k) balances and other sources of savings, leading to a drop in consumer confidence. This is in stark contrast to the 1995-99 experience of skyrocketing stock prices, providing fuel for a consumer-spending binge. In addition, daily news reports on accounting fraud and the potential military action against Iraq add to the gloom.

The 2001 recession was noted for the steep decline in capital investment, due in large part to the tech stock crash that began in March 2000. While the confidence of executives improved dramatically in the period right after September 11, there continues to be a reluctance to expand facilities and rehire workers. For now, most employers are increasing the hours of their workers and bringing in part-time employees.

Until a major turnaround in stock prices occurs or we get additional federal monetary or fiscal stimulus, the national recovery will continue to be sluggish. On the positive side, the combination of depressed inventories and low interest rates should keep the economy from going back into recession. Favorable financing has been a major reason for the stability of the housing sector. Finally, aggressive pricing of car dealers has propped up auto industry sales (but not profits).

State Prospects

One of the primary characteristics of the 2001 recession was the impact on the manufacturing sector. This is important to North Carolina because 18% of nonagricultural employment is in manufacturing versus 12% nationally. A more important measure might be the share of Gross State Product represented by manufacturing: 23% in North Carolina versus 17% for the United States.

The drop in manufacturing jobs did not begin with the 2001 recession. Data compiled by the Employment Security Commission show that manufacturing experienced a fairly rapid recovery from the 1990-91 recession, with job growth of 2.6% in 1993. The “boom and bust” nature of manufacturing is one reason why the state’s economy grew 33% faster than the national experience following the 1981-82 recession and 45% quicker following the Gulf War downturn. In fact, North Carolina was the fifth fastest growing state during the 1992-94 period, due in part to the recovery in manufacturing.

After a leveling off period, manufacturing employment began a steady decline in mid-1995 as the national economy experienced a mild slowdown following the Fed rate hikes in 1994. The rate of decline began to accelerate in February 2001 and peaked at an 8.5% year-over-year rate in late 2001. Particularly hard hit were the textile and apparel sectors, dropping over 15% on a year-over-year by the spring of 2001.

There are some signs that the state’s economy has begun to improve. For one thing, the unemployment rate has dropped from 6.9% last spring to 6.1% in September and we have seen improvement in the number of unemployment claims. State sales tax receipts during the quarter ending June 30 were up 2.3% over the same quarter last year, compared to -2.0% for the first quarter of 2002 and -3.5% for the final quarter of 2001. Unit sales of cars and light trucks have risen 4.9% for the most recent three months. Finally, real estate conveyance tax collections, levied on an ad valorem basis, continue to benefit from favorable mortgage rates.

For the future, we are budgeting on the basis of a continued sluggish recovery. This experience would be very different from the explosive growth after the last two recessions. One reason is the continued weakness of tech stock prices. As the state has diversified away from the traditional manufacturing industries (textiles, apparel, furniture, and tobacco) to electronics and other technology-oriented companies, we have become more vulnerable to problems in the latter sectors.

A classic example is the experience of the Catawba Valley region (Hickory). During the late 1990’s, this area had an unemployment rate as low as 1.5% due to the explosive growth of fiber optic manufacturing. Earlier this year the rate was 9.4%, one of the highest in the state. We are concerned that it may take some time for the nation’s telecommunications companies to work down excess inventory.

Forecast Tables

The table on Pages C-7 and C-8 shows the projected change in key state and national economic variables for the upcoming three state fiscal years. For each measure there is a comparison between the forecast for DRI/WEFA (used by the State Budget Office), Economy.Com (used by Fiscal Research), and the rate used in adjusting the 2002-03 state budget. The budget outlook clearly represented a pessimistic view of the economy as of July 2002.

On Page C-9 the baseline growth rate for major General Fund revenue sources is shown. These numbers have been adjusted for the numerous tax law changes and other factors that distort the year-over-year comparison.

The personal income tax represents 51% of the revenue base. The yield of this tax is not only affected by economic factors (jobs, hours worked, wage rates), but has become more sensitive to capital gains (especially on shares of stock). The table on Page C-10 shows the history and forecast of the major items in the tax base. It is interesting to note that the amount of reported capital gains is much more volatile than share prices as measured by the Standard and Poor's 500 index. One reason could be the fact that in recent years, many investors have been purchasing more of the risky technology and telecommunications stocks.

A factor that has recently come into play during the bear market is the tax treatment of loss transactions. Any losses in excess of market gains can be offset against up to \$3,000 of other income and the remainder can be carried forward to future years. This could mean that as the market recovers, investors may continue to use up suspended losses.

The 1.9% baseline General Fund revenue growth rate for 2002-03 represents a cautious view when compared to the budgeted rates in surrounding states:

South Carolina	5.9%
Georgia	5.3%
Virginia	4.8%

The table on page C-11 gives the forecast of specific General Fund Revenue sources on a "Baseline" basis. This calculation adjusts for 1995-2002 tax law changes, tax processing delays, and litigation payouts. The "Actual" forecast is contained on Page C-12.

GENERAL FUND REVENUE COLLECTIONS (\$ MILLION)

	July 01- June 02	July 01- June 02		July 00- June 01
TAX REVENUE:	Target	Actual	Difference	Actual
PERSONAL INCOME:				
LARGE EMPLOYER WITHHOLDING	\$6,754.1	\$6,429.3	(\$324.8)	\$6,265.8
SMALL EMPLOYER WITHHOLDING	378.7	393.9	15.2	443.3
ESTIMATED TAXES	1,202.2	938.7	(263.5)	1,104.6
NET FINAL PAYMENTS	1,244.8	846.7	(398.1)	1,009.0
WITHHOLDING REFUNDS	(1,271.5)	(1,345.0)	(73.5)	(1,092.5)
LOCAL TAX REIMBURSEMENTS	(129.0)	(129.0)	0.0	(129.0)
SUBTOTAL - PERSONAL INCOME	\$8,179.3	\$7,134.6	(\$1,044.7)	\$7,391.4
SALES & USE TAX:				
REGULAR	\$3,447.2	\$3,230.1	(\$217.1)	\$3,053.2
UTILITY	521.4	475.7	-45.7	382.4
SUBTOTAL - SALES & USE	\$3,968.6	\$3,705.8	(\$262.8)	\$3,435.6
CORPORATE INCOME:				
ESTIMATED PAYMENTS	\$798.8	\$705.9	(\$92.9)	\$880.7
FINAL PAYMENTS	236.8	193.2	-43.6	77.3
REFUNDS	-189.6	-230.9	-41.3	-234.3
SCHOOL FACILITIES EARMARKING	-55.2	-54.3	0.9	-58.8
LOCAL TAX REIMBURSEMENTS	-204.5	-204.5	0.0	-204.5
SUBTOTAL - CORPORATE INCOME	\$586.3	\$409.4	(\$176.9)	\$460.3
FRANCHISE:				
ANNUAL CORPORATION TAX	\$333.5	\$258.6	(\$74.9)	\$387.8
UTILITY GROSS RECEIPTS	322.4	341.8	19.4	358.7
LOCAL TAX SHARING	-189.2	-154.1	30.3	-166.1
SUBTOTAL - FRANCHISE	\$466.7	\$446.3	(\$20.4)	\$580.4
INSURANCE	321.6	340.8	19.2	305.7
ALCOHOLIC BEVERAGES				
NET COLLECTIONS	\$199.1	\$201.4	\$2.3	\$198.9
LOCAL TAX SHARING	-25.1	-26.7	-1.6	-26.1
SUBTOTAL - BEVERAGE TAX	\$174.0	\$174.7	\$0.7	\$172.8
INHERITANCE	130.2	104.8	-25.5	123.2
PRIVILEGE LICENSE	26.4	26.6	0.2	3.0
TOBACCO PRODUCTS	40.7	41.5	0.8	42.0
PIPED NATURAL GAS	37.9	40.9	3.0	37.2
GIFT	23.2	13.4	-9.8	20.3
OTHER	1.1	1.1	0.0	1.2
TOTAL - TAX REVENUE	\$13,956.0	\$12,439.9	(\$1,516.1)	\$12,572.9
NONTAX REVENUE				
INVESTMENT INCOME	\$166.8	\$132.6	(\$34.2)	\$170.3
JUDICIAL FEES	112.0	110.4	-1.6	109.3
DISPROPORTIONATE SHARE	107.0	110.4	3.4	109.1
INSURANCE DEPARTMENT	45.5	46.4	0.9	43.6
OTHER	139.4	131.4	-8.0	103.6
TOTAL: NONTAX REVENUE	\$570.7	\$531.2	(\$39.5)	\$535.8
TOTAL: TAX AND NONTAX REVENUE	\$14,526.7	\$12,971.1	(\$1,555.6)	\$13,108.7
TRANSFERS:				
HIGHWAY TRUST FUND	\$171.7	\$171.7	\$0.0	\$170.0
HIGHWAY FUND	14.5	14.6	0.1	13.8
TOTAL: TRANSFERS	\$186.2	\$186.3	\$0.1	\$183.8
TOTAL GENERAL FUND REVENUE	\$14,712.9	\$13,157.4	(\$1,555.5)	\$13,292.5

Note: Data has not be adjusted for tax law changes, lawsuit payouts and tax processing delays.

ECONOMIC OUTLOOK COMPARISON
JULY 2002*

	<u>Economic Measure</u>	<u>Forecast Source</u>	<u>01-02</u>	<u>02-03</u>	<u>03-04</u>	<u>04-05</u>
U.S. Data	Real Economic Growth	DRI/WEFA*	1.1%	3.4%	3.7%	3.4%
		Economy.com**	1.9%	3.4%	3.9%	2.9%
		Budgeted Rate	1.9%	1.4%	-	-
	Real Consumer Spending	DRI/WEFA	3.1%	3.3%	3.1%	3.3%
		Economy.com	3.0%	3.1%	3.6%	2.8%
		Budgeted Rate	3.0%	2.1%	-	-
	Industrial Production	DRI/WEFA	-3.9%	4.5%	6.2%	4.4%
		Economy.com	-4.0%	2.4%	3.6%	2.4%
		Budgeted Rate	-4.0%	0.6%	-	-
	Nominal Personal Income	DRI/WEFA	3.3%	4.6%	5.9%	6.0%
		Economy.com	3.3%	4.0%	5.1%	5.2%
		Budgeted Rate	3.3%	1.9%	-	-
	Consumer Price Index	DRI/WEFA	1.8%	2.4%	2.8%	2.9%
		Economy.com	1.8%	2.6%	2.3%	2.5%
		Budgeted Rate	1.8%	2.3%	-	-
	Short-Term Interest Rates	DRI/WEFA	2.3%	2.1%	4.0%	5.2%
		Economy.com	2.3%	2.2%	4.2%	5.3%
		Budgeted Rate	2.3%	1.8%	-	-
	Pre-Tax Profits (Calendar Yr.)	DRI/WEFA	-17.9%	-2.7%	7.5%	8.0%
		Economy.com	-17.9%	-4.1%	14.6%	9.6%
		Budgeted Rate	-17.9%	-7.5%	5.5%	-

**ECONOMIC OUTLOOK COMPARISON
JULY 2002***

	<u>Economic Measure</u>	<u>Forecast Source</u>	<u>01-02</u>	<u>02-03</u>	<u>03-04</u>	<u>04-05</u>
N.C. Data	Total Employment	DRI/WEFA	-1.1%	0.9%	1.5%	1.7%
		Economy.com	-1.1%	0.6%	2.7%	2.2%
		Budgeted Rate	-1.1%	-1.4%	-	-
	Manufacturing Employment	DRI/WEFA	-7.1%	-1.4%	-1.8%	-1.2%
		Economy.com	-7.1%	-2.2%	1.1%	0.1%
		Budgeted Rate	-7.1%	-4.5%	-	-
	Unemployment Rate	DRI/WEFA	6.3%	6.4%	6.1%	5.9%
		Economy.com	6.3%	7.0%	6.5%	6.2%
		Budgeted Rate	6.3%	7.4%	-	-
	Personal Income	DRI/WEFA	1.5%	5.0%	5.5%	5.9%
		Economy.com	1.3%	4.2%	6.0%	6.1%
		Budgeted Rate	1.3%	1.8%	-	-

*National forecasting firm used by Office of State Budget and Management.

**Forecast subscribed to by Fiscal Research Division.

GROWTH RATES FOR MAJOR GENERAL FUND REVENUE SOURCES

	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01	01-02	Budget Estimate 02-03	Baseline Forecast 02-03***
Personal Income Tax	8.6%	7.4%	9.9%	11.0%	10.2%	13.9%	10.5%	6.2%	7.4%	-7.5%	2.1%	3.7%
Sales Tax:												
Regular	8.3%	10.7%	8.9%	6.2%	8.1%	6.1%	7.5%	5.5%	1.9%	-2.0%	1.5%	3.2%
Utility Gross Receipts	3.7%	8.6%	-0.9%	7.9%	4.2%	4.7%	4.4%	6.5%	6.4%	4.2%	2.2%	3.8%
Corporate Income Tax	13.5%	5.8%	21.2%	3.5%	10.0%	3.5%	7.8%	-2.6%	-11.5%	-26.6%	2.8%	4.1%
Franchise Tax:												
Corporation Franchise	2.8%	3.2%	4.1%	8.9%	6.6%	23.6%	5.7%	-4.7%	22.6%	-15.7%	1.9%	3.6%
Utility Gross Receipts	1.8%	11.8%	-1.5%	7.0%	2.9%	3.8%	-3.1%	-3.8%	9.2%	10.1%	1.0%	2.1%
Inheritance Tax*	2.2%	18.9%	3.2%	2.7%	17.0%	12.2%	12.8%	12.0%	-2.1%	-15.2%	2.8%	3.0%
Insurance Tax	2.8%	16.3%	4.8%	4.6%	6.0%	3.4%	6.9%	-6.1%	5.2%	10.2%	3.7%	4.8%
Alcoholic Beverage Tax	0.1%	1.2%	1.4%	2.9%	3.3%	2.3%	2.8%	5.4%	3.7%	2.9%	2.9%	3.1%
Total Revenue**	7.0%	9.1%	9.9%	6.8%	9.2%	8.8%	9.8%	4.0%	4.6%	-6.2%	1.9%	3.5%

NOTE: Data has been adjusted for tax law changes, tax collection and refund delays, litigation payouts, and other special one-time factors.

*Applies to "pick-up" tax that is levied to use up federal credit for state death taxes.

**Includes minor tax sources not shown in table.

***This forecast is based on July 2002 economic outlook of Economy.com and is shown for comparison purposes.

FEDERAL TAX RETURN DATA FOR NORTH CAROLINA TAXPAYERS (\$ BILLION)

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001(e)</u>	<u>2002(e)</u>	<u>2003(e)</u>
Wages & Salaries	69.20	73.00	77.46	82.76	87.50	94.08	100.85	107.19	114.20	115.57	114.65	119.92
% Change	7.1%	5.5%	6.1%	6.8%	5.7%	7.5%	7.2%	6.3%	6.5%	1.2%	-0.8%	4.6%
Interest	3.08	2.53	2.43	3.05	3.30	3.52	3.69	3.62	4.19	4.16	3.95	4.11
% Change	-22.8%	-17.9%	-4.0%	25.5%	8.2%	6.7%	4.8%	-1.9%	15.7%	-0.7%	-5.0%	4.0%
Dividends	1.58	1.72	1.79	2.07	2.29	2.62	2.61	2.95	3.21	3.52	3.74	3.89
% Change	2.6%	8.9%	4.1%	15.6%	10.6%	14.4%	-0.4%	13.0%	8.8%	9.8%	6.0%	4.2%
Business Income	3.53	3.69	3.87	3.98	4.30	4.44	4.75	4.89	4.83	4.64	4.71	5.14
% Change	9.6%	4.5%	4.9%	2.8%	8.0%	3.3%	7.0%	2.9%	-1.2%	-4.0%	1.6%	9.1%
Capital Gains	2.38	2.73	2.91	3.41	5.11	7.06	8.45	9.38	10.24	5.40	3.29	3.64
% Change	18.4%	14.7%	6.6%	17.2%	49.9%	38.2%	19.7%	11.0%	9.2%	-47.3%	-39.1%	10.6%
% Change Stock Value	10.5%	8.6%	2.0%	17.7%	23.9%	30.1%	24.2%	22.1%	7.6%	-16.4%	-1.4%	7.4%
IRA Distributions	0.64	0.65	0.80	0.91	1.13	1.37	1.90	2.27	2.67	2.72	2.83	3.06
% Change	28.0%	1.6%	23.1%	13.8%	24.2%	21.2%	38.7%	19.5%	17.6%	2.0%	4.0%	8.0%
Unemployment Benefits	0.48	0.42	0.30	0.31	0.30	0.25	0.25	0.31	0.41	0.50	0.65	0.55
% Change	9.1%	-12.5%	-28.6%	3.3%	-3.2%	-16.7%	0.0%	24.0%	32.3%	22.0%	30.0%	-15.4%
Pensions	4.38	4.63	5.03	5.52	6.05	6.69	7.40	8.10	8.69	9.21	9.91	10.85
% Change	6.6%	5.7%	8.6%	9.7%	9.6%	10.6%	10.6%	9.5%	7.3%	6.0%	7.6%	9.5%
Partnership	2.63	2.79	3.43	3.80	4.40	5.00	5.45	6.05	6.50	5.85	6.20	6.57
% Change	38.4%	6.1%	22.9%	10.8%	15.8%	13.6%	9.0%	11.0%	7.5%	-10.0%	6.0%	5.9%
Statutory Adjustment	-0.8	-0.8	-0.9	-1.0	-1.0	-1.1	-1.2	-1.3	-1.4	-1.5	-1.6	-1.7
% Change	2.5%	3.7%	7.1%	5.6%	6.3%	7.9%	10.1%	8.3%	8.5%	6.4%	6.7%	6.2%
Total Gross Income	87.09	91.32	97.12	104.86	113.37	123.94	134.15	143.46	153.53	150.08	148.33	156.03
% Change	6.8%	4.9%	6.4%	8.0%	8.1%	9.3%	8.2%	6.9%	7.0%	-2.3%	-1.2%	5.2%

(e) = Estimated

BASELINE FORECAST PRIOR TO REVENUE LAW CHANGES/OTHER SPECIAL FACTORS*

	Actual 95-96	Actual 96-97	Actual 97-98	Actual 98-99	Actual 99-00	Actual 00-01	Actual 01-02	Estimated 02-03
Tax Revenue								
Personal Income	\$5,035.0	\$5,597.2	\$6,344.7	\$7,076.3	\$7,440.9	\$8,004.0	\$7,393.5	\$7,521.5
Sales & Use	2,959.4	3,178.0	3,356.8	3,584.4	3,740.8	3,830.2	3,721.0	3,794.0
Corporate Income	674.9	718.3	789.1	904.5	856.0	780.7	580.2	634.5
Franchise	355.9	387.8	411.3	405.6	399.0	488.4	488.4	494.7
Insurance	244.5	260.3	284.3	291.1	273.4	305.7	340.8	351.7
Alcoholic Beverage	145.5	150.2	153.8	157.9	166.3	172.7	177.6	182.7
Intangibles Tax	124.4	124.5	124.6	124.7	124.8	124.9	125.0	125.1
Inheritance	112.9	132.1	148.2	167.1	229.8	209.9	201.6	209.4
Soft Drink	39.8	41.2	43.4	43.9	46.2	47.8	49.4	49.9
Privilege License	42.0	43.4	49.7	37.4	53.4	53.2	54.5	55.8
Tobacco Products	46.7	46.7	47.2	44.9	43.7	42.0	41.5	39.9
Piped Natural Gas					27.7	37.2	41.0	39.7
Gift	11.0	12.6	20.7	19.3	25.1	20.3	13.4	10.9
Other	19.0	1.2	1.1	1.1	1.1	1.2	1.3	1.1
Total-Tax Revenue	\$9,811.0	\$10,693.3	\$11,774.9	\$12,858.2	\$13,428.2	\$14,118.2	\$13,229.2	\$13,510.9
%Change		9.0%	10.1%	9.2%	4.4%	5.1%	-6.3%	2.1%
Nontax Revenue								
Investment Income	\$197.3	\$222.1	\$246.1	\$247.2	\$206.1	\$165.9	\$127.5	\$107.6
Judicial Fees	90.3	94.9	95.7	101.1	80.5	81.6	81.6	83.1
Disproportionate Share	76.0	100.8	0.0	85.0	105.0	109.1	107.0	107.0
Other	65.3	68.0	66.1	80.5	93.2	83.4	87.9	87.9
Insurance Dept.	14.9	14.0	15.3	34.9	36.6	37.3	39.3	39.5
Total-Nontax Revenue	\$443.8	\$499.8	\$423.2	\$548.7	\$521.4	\$477.3	\$443.3	\$425.2
Total: Tax & Nontax Revenue	\$10,254.8	\$11,193.1	\$12,198.0	\$13,406.9	\$13,949.6	\$14,595.5	\$13,672.5	\$13,936.1
		9.1%	9.0%	9.9%	4.0%	4.6%	-6.3%	1.9%
Transfers:								
Highway Trust Fund	\$170.0	\$170.0	\$170.0	\$170.0	\$170.0	\$170.0	\$170.0	\$170.0
Highway Fund	11.1	11.9	12.6	13.4	13.6	13.8	14.5	15.3
Total-Transfers	\$181.1	181.9	182.6	183.4	\$183.6	\$183.8	\$184.5	\$185.3
Total-General Fund Revenue	\$10,435.9	\$11,375.0	\$12,380.6	\$13,590.3	\$14,133.2	\$14,779.3	\$13,857.0	\$14,121.4
		9.0%	8.8%	9.8%	4.0%	4.6%	-6.2%	1.9%

*Actual collections have been adjusted for tax law changes, litigation payouts, processing delays, and other special factors

ACTUAL COLLECTIONS INCLUDING IMPACT OF REVENUE LAW CHANGES/OTHER SPECIAL FACTORS (\$MILL.)

	Actual 95-96	Actual 96-97	Actual 97-98	Actual 98-99	Actual 99-00	Actual 00-01	Actual 01-02	Estimated 02-03
Tax Revenue:								
Personal Income	\$4,800.0	\$5,330.0	\$6,028.9	\$6,606.5	\$7,080.1	\$7,391.4	\$7,134.6	\$7,270.2
Sales & Use	2,958.1	3,127.7	3,255.4	3,376.2	3,354.9	3,435.6	3,705.8	4,070.1
Corporate Income	673.8	717.7	696.3	848.5	903.2	460.2	409.4	822.9
Franchise	355.9	387.8	407.3	409.6	307.0	580.4	446.3	352.6
Insurance	242.7	258.5	283.8	291.2	273.4	305.7	340.8	379.9
Alcoholic Beverage	145.5	150.2	153.7	158.0	166.4	172.8	174.6	172.3
Intangibles Tax	11.0							
Inheritance	112.9	132.1	138.1	169.9	163.3	123.2	104.8	104.0
Soft Drink	39.8	31.4	23.1	12.4	1.3	0.0	0.0	0.0
Privilege License	42.0	43.4	36.6	27.6	43.8	3.0	26.6	45.8
Tobacco Products	46.7	46.7	47.2	44.9	43.7	42.0	41.5	45.7
Gift	11.0	12.6	20.7	19.3	25.1	20.3	13.4	10.7
Piped Natural Gas					27.7	37.2	41.0	39.7
Other	19.0	1.2	1.1	1.1	1.1	1.2	1.3	1.1
Total-Tax Revenue	\$9,458.4	\$10,239.1	\$11,092.2	\$11,965.2	\$12,390.9	\$12,572.9	\$12,440.1	\$13,315.0
				7.9%	3.6%	1.5%	-1.1%	7.0%
Nontax Revenue								
Investment Income	\$199.3	\$224.1	\$248.1	\$249.2	\$208.3	\$168.2	\$132.6	\$116.0
Judicial Fees	90.3	99.1	112.8	121.0	101.5	109.3	110.4	136.2
Disproportionate Share	76.0	100.8	0.0	85.0	105.0	109.1	107.0	107.0
Other	65.3	70.2	71.0	89.6	103.4	93.7	127.5	213.0
Insurance Dept.	19.6	18.7	20.3	40.2	42.2	43.6	46.0	50.5
Total-Nontax Revenue	\$450.5	\$512.9	\$452.2	\$585.0	\$560.3	\$523.9	\$523.6	\$622.6
Total: Tax & Nontax Revenue	\$9,908.9	\$10,752.0	\$11,544.4	\$12,550.2	\$12,951.2	\$13,096.9	\$12,963.6	\$13,937.6
Transfers:								
Highway Trust Fund	\$170.0	\$170.0	\$170.0	\$170.0	\$170.0	\$170.0	\$171.7	\$377.4
Highway Fund	11.1	11.9	12.6	13.4	13.6	13.8	14.5	15.3
Total-Transfers	\$181.1	\$181.9	\$182.6	\$183.4	\$183.6	\$183.8	\$186.2	\$392.7
Total-General Fund Revenue	\$10,090.0	\$10,933.9	\$11,727.0	\$12,733.6	\$13,134.8	\$13,280.7	\$13,149.8	\$14,330.3
%Change		8.4%	7.3%	8.6%	3.2%	1.1%	-1.0%	9.0%

HIGHWAY FUND REVENUE

The Highway Fund is supported from three primary revenue sources: three-fourths of the motor fuels tax, license and fee revenues collected by the Division of Motor Vehicles, and interest earned from investment of fund balances by the State Treasurer.

FY 2001-02 REVENUES

Highway Fund collections totaled \$1.298 billion in FY 2001-02, a 3.1% increase over FY 2000-01. Motor fuels tax collections increased by 2.4%.

FY 2002-03 FORECAST

Highway Fund revenues are projected to decrease by \$21.6 million, or 1.7%, in FY 2002-03 due to lower motor fuels tax collections and lower investment income.

HIGHWAY FUND REVENUE (MILLIONS)

	FY 2001-02	FY 2002-03
	<u>Actual</u>	<u>Projected</u>
Motor Fuels Taxes	\$888.1	\$861.4
Licenses, Fees, and Penalties		
Staggered Vehicle Registration	\$148.3	\$155.2
Truck Licenses	\$61.5	\$61.8
Driver Licenses	\$68.9	\$71.6
International Registration Plan	\$49.9	\$52.4
Other	\$64.3	\$62.2
Sub Total	\$392.9	\$403.2
Investment Income	\$17.2	\$12.0
Total Highway Fund Revenue	\$1298.2	\$1276.6

HIGHWAY TRUST FUND REVENUE

The 1989 Session of the General Assembly established the Highway Trust Fund for the purpose of funding highway construction. The 2001 General Assembly permitted the use of \$680 million of Trust Fund cash balances over three fiscal years for additional purposes, primarily maintenance. The Trust Fund's primary revenue sources are one-fourth of the motor fuel tax, a 3% Highway Use Tax, title fees and various registration fees, and interest earned on cash balances. The law has required that \$170 million be transferred each year from the Highway Trust Fund to the General Fund. As a result of a change in the law in 2001, this statutory transfer in FY 2002-03 is \$172.4 million and will grow over time. In addition to this statutory transfer, the Governor transferred \$80 million in FY 2001-02 and the Budget for FY 2002-03 transfers \$205 million to the General Fund. The \$205 million, and an additional \$80 million to be transferred in FY 2003-04, are to be paid back to the Highway Trust Fund starting in FY 2004-05.

FY 2001-02 REVENUES

Highway Trust Fund revenues for FY 2001-02 (net of transfers to the General Fund) totaled \$722.1, a decrease of 9.1% from the previous year. The decrease was primarily due to the \$80 million additional transfer to the General Fund.

FY 2002-03 FORECAST

Highway Trust Fund revenues (net of transfers to the General Fund) are expected to decrease by 17.3% in FY 2002-03, reflecting the increased transfers to the General Fund in the FY 2002-03 Budget.

HIGHWAY TRUST FUND REVENUE (MILLIONS)

	FY 2001-02	FY 2002-03
	<u>Actual</u>	<u>Projected</u>
Motor Fuels Taxes	\$296.3	\$287.1
Highway Use Tax	\$555.3	\$579.4
Title Fees	\$78.9	\$81.0
Other Fees	\$11.8	\$12.2
<u>Investment Income</u>	<u>\$31.5</u>	<u>\$15.0</u>
Sub Total	\$973.8	\$974.7
Statutory Transfer to General Fund	(\$171.7)	(\$172.4)
Additional Transfer to General Fund	(\$80.0)	(\$205.0)
Total Highway Trust Fund Availability	\$722.1	\$597.3

**FEDERAL BLOCK
GRANTS
&
SUMMARY OF
MEDICAID CHANGES**

FEDERAL BLOCK GRANT PROGRAMS

HISTORY

In 1981, the Reagan Administration recommended and Congress adopted the Omnibus Budget Reconciliation Act which created a number of new “block grants” to be distributed to state governments in lieu of numerous traditional “categorical” funds. This approach to state aid reflected the President’s philosophy of shifting more fiscal decision making to the states. In addition, it allowed the Administration to significantly cut the federal budget.

In previous years, Congress had appropriated money to the States for smaller, narrow-purpose programs, such as those for disabled children, migrant health, family planning, and immunizations. These funds were accompanied by numerous “strings” and substantial paperwork requirements. The new block grants consolidated appropriations for many of these programs into large, general purpose grants which had fewer “strings” and allowed more flexibility in the use of the funds.

BRIEF DESCRIPTION OF THE BLOCK GRANTS

SOCIAL SERVICES BLOCK GRANT

The Social Services Block Grant is intended to provide federal funds to help people achieve or maintain a greater degree of economic self-support or self-sufficiency, to prevent abuse or exploitation of children and adults who are unable to protect their own interests, and to prevent inappropriate institutional care or to secure appropriate institutional care when other forms of care are not appropriate. The primary providers of these services are the 100 county departments of social services. Examples of services funded include child and adult day care and in-home services for the elderly.

SUBSTANCE ABUSE PREVENTION AND TREATMENT BLOCK GRANT

The ADAMHA Reorganization Act of 1992 (P.L. 102-321) split the Alcohol, Drug, and Mental Health Services Block Grant (ADMBG), thereby creating the new Substance Abuse Prevention and Treatment Block Grant (SAPTBG). The SAPTBG provides federal financial assistance to states for the provision of prevention and treatment of alcohol and drug abuse.

MENTAL HEALTH SERVICES BLOCK GRANT

The MHBG provides federal financial assistance to states for the provision of community based services for the mentally ill. Services provided through the use of the block grant must be those described in the state’s Plan in accordance with Federal P.L. 102-321. These services include outpatient, day treatment, psychosocial rehabilitation, emergency services, residential services, etc.

FEDERAL BLOCK GRANT PROGRAMS (Continued)

MATERNAL AND CHILD HEALTH BLOCK GRANT

This block grant funds health services for mothers and children to reduce infant mortality and the incidence of preventable diseases and handicapping conditions among children. It also provides for rehabilitative services for blind and disabled individuals under the age of 16 and for treatment and care of children with developmental disabilities.

PREVENTIVE HEALTH SERVICES BLOCK GRANT

This block grant provides health services to low-income persons in order to reduce the risk of preventable illness and early death and to improve the quality of life through better health.

LOW-INCOME ENERGY ASSISTANCE BLOCK GRANT

The purpose of this block grant is to provide funds to assist low-income families with their heating fuel costs, to provide some emergency assistance and home weatherization or energy-related home repairs.

COMMUNITY SERVICES BLOCK GRANT

This is a federally funded program that provides a range of services and activities designed to eliminate the causes of poverty among the elderly, poor, and handicapped.

COMMUNITY DEVELOPMENT BLOCK GRANT

This block grant provides funds to assist local governments with community and economic development projects that primarily benefit low and moderate-income persons.

CHILD CARE AND DEVELOPMENT FUND (CCDF) BLOCK GRANT

The Personal Responsibility and Work Opportunities Reconciliation Act of 1996 eliminated any entitlement to child care subsidies and consolidated all federal child care programs into the CCDF block grant. The purpose of the CCDF block grant is to improve the affordability, availability, and quality of child care for families. Most of the block grant funding must be used to provide child care subsidies to families receiving public assistance, making the transition off of public assistance, or at risk of becoming dependent on public assistance. In addition, 4% of the total allocation must be spent on quality and availability initiatives. CCDF requires all providers caring for children who receive subsidies to meet minimum health and safety standards.

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

In August 1996, Congress passed and the Clinton Administration enacted the Personal Responsibility and Work Opportunities Reconciliation Act of 1996 (PRWORA). Better known as federal Welfare Reform, passage of PRWORA ended decades of the Aid to Families of Dependent Children (AFDC) entitlement program and replaced it with the Temporary Assistance for Needy Families (TANF) Block Grant. This action gave states unprecedented flexibility to create their own welfare programs that emphasize self-sufficiency and work.

2002-2003

DEPARTMENT OF COMMERCE

Community Development Block Grant – 2003 Program Year	\$45,000,000
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DEPARTMENT OF HEALTH AND HUMAN SERVICES

Division of Mental Health, Developmental Disabilities and Substance Abuse Services

Social Services Block Grant	\$8,656,604
Mental Health Services Block Grant	10,239,850
Substance Abuse Prevention and Treatment Block Grant	39,275,687
Temporary Assistance for Needy Families Block Grant	1,875,142

Division of Social Services

Low Income Energy Block Grant	\$25,569,203
Social Services Block Grant	28,376,011
Temporary Assistance for Needy Families	246,965,975

Division of Facility Services

Social Services Block Grant	\$639,964
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Division of Child Development

Social Services Block Grant	\$3,000,000
Child Care and Development Fund Block Grant	143,605,794
Temporary Assistance for Needy Families	99,433,430

Division of Vocational Rehabilitation

Social Services Block Grant	\$188,263
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Division of Services for the Blind

Social Services Block Grant	\$3,105,711
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Office of the Secretary (Office of Economic Opportunity)

Social Services Block Grant	\$41,302
Community Services Block Grant	16,963,303

Division of Aging

Social Services Block Grant	\$3,995,535
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Division of Public Health

Social Services Block Grant	\$145,819
Substance Abuse Prevention and Treatment Block Grant	631,335
Preventive Health Services Block Grant	3,747,927
Maternal and Child Health Block Grant	16,928,823

Note: The figures listed above for the Department of Health and Human Services do not reflect the total amount of the Block Grants, due to various transfers to other Departments.

CHANGES TO THE MEDICAID PROGRAM

STATE

During its 2002 Regular Session, the N.C. General Assembly enacted a \$7.2 Billion budget for the Medicaid Program for SFY 2002-03. State funding for the Medicaid Program totals \$2.19 Billion for SFY 2002-03.

During its deliberations on the proposed budget, the 2002 General Assembly reduced the General Fund appropriations for the Medicaid Program by \$111 million for SFY 2002-03. The reductions include increasing prescription drug utilization management; reducing personal care services from 80 hours per month to 60 hours per month; expanding the Carolina ACCESS II/III program; applying Medicaid policy to Medicare crossover claims; reducing case management services; reducing hospital payments by .5%, reducing rates by 5% for durable medical equipment, optical services, home health supplies, home infusion therapy, ambulatory surgical services and high risk intervention services; modifying the asset policies for receiving Medicaid and transferring funds from the Medicaid Reserve Fund.

The 2002 General Assembly also increased General Fund appropriations by \$81.7 for SFY 2002-03 to cover an increase in the Medicaid forecast.

The 2002 General Assembly also enacted other Medicaid policy changes:

- Required nursing homes to place Medicare recipients into Medicare certified nursing me beds.
- Required Medicaid providers to purchase a \$100,000 performance bond or other financial instrument in order to receive payment from the Medicaid program.
- Required parental income to be counted in determining eligibility for a pregnant minor if the minor is residing in the home.
- Required DMA to apply federal transfer of assets policies to real property excluded as tenancy-in-common, or as nonhomesite property made income producing under Title XIX, Section 1902(r)(2) of the Social Security Act.
- Applied transfer of asset policies to noninstitutionalized individuals or spouse of such individual as defined in Title XIX, Section 1917(c) as described in an approved Title XIX State Plan.
- Included personal care services under the definition of "medical assistance" in G.S. 108A-70.5(b) - the Medicaid Estate Recovery statutes.
- Required DMA to employ procedures to mitigate hardship to Medicaid enrollees when implementing the Supplemental Security Income (SSI) method for considering equity value of income producing property.

- Required DHHS to support the maximum number of persons through the CAP programs within existing funding for these programs. Allowed a person who entered a nursing facility on or before June 1, 2002 to receive CAP-DA services even if the availability of CAP-DA services has been suspended.
- Authorized DHHS to adopt temporary rules to clarify recipient rights related to the pharmacy management plan.
- Prohibited DHHS from requiring supplemental rebates from pharmaceutical manufacturers.

FEDERAL

No significant federal changes have occurred in 2002.

DISPROPORTIONATE SHARE FUNDS

Disproportionate Share (DSH) Funds are Medicaid payments made to health care providers who deliver services to large numbers of uninsured patients. DSH payments to health care providers are made in addition to reimbursements for services provided to Medicaid eligible patients. Congress originally authorized the payments as a funding mechanism to offset the cost of uncompensated care for health care providers, particularly hospitals, in an effort to improve access to health care for the uninsured.

Prior to the enactment of The Balanced Budget Act of 1997, federal law permitted states to draw federal funds up to a maximum allotment established by the federal Health Care Financing Agency (HCFA). The law allowed states to match federal funds for DSH payments with direct appropriations or with funds appropriated to a governmental unit for the delivery of health care to the uninsured. States were required to obtain approval of their State Medicaid Plan for drawing DSH payments from HCFA.

Under the amended federal law (effective October 1997), DSH allocations are set forth in law on a state-by-state basis. The law provides for gradual reductions in DSH allocations to states beginning 1999 through the year 2002.

North Carolina uses state appropriations to the five state hospitals (UNC Memorial, Dorothea Dix, Broughton, Cherry and John Umstead) as the non-federal match with which the State draws disproportionate share payments. The 2001-03 biennial state budgets anticipate \$107 million each fiscal year in DSH payments to the State Treasurer. Section 21.23 of Chapter 424 of the 2001 Session Laws stipulates that appropriations to the Medicaid program that become available due to federal Disproportionate Share receipts will be deposited as nontax revenues. The State Treasurer will reserve any DSH payments in excess of \$107 million for future appropriation.

SUMMARY:

**GENERAL FUND
APPROPRIATIONS**

**2002-2003
FISCAL YEAR**

General Fund Appropriations

Fiscal Year 2002-03

2002 Session

(Reflects all legislation affecting General Fund availability enacted by the General Assembly during the 2002 Session, including SB 1115, HB 1105, and SB 1455)

	2002-03					2002-03
	Authorized	Recurring	Nonrecurring	Net	Position	Revised
	Appropriation	Adjustments	Adjustments	Changes	Changes	Appropriation
<u>Education:</u>						
Community Colleges	643,195,459	28,195,165	(2,109,234)	26,085,931	-11.50	669,281,390
Public Education	5,922,188,546	(11,409,327)	(16,225,726)	(27,635,053)	471.30	5,894,553,493
University System	1,798,320,830	(12,807,721)	(17,416,000)	(30,223,721)	0.00	1,768,097,109
Total Education	8,363,704,835	3,978,117	(35,750,960)	(31,772,843)	459.80	8,331,931,992
<u>General Government:</u>						
Administration	61,563,497	(5,620,309)	0	(5,620,309)	-77.80	55,943,188
Auditor	11,864,673	(795,965)	0	(795,965)	-5.00	11,068,708
Cultural Resources	59,427,419	(4,794,666)	1,184,453	(3,610,213)	-35.45	55,817,206
Cultural Resources - Roanoke Island	1,859,463	(151,222)	0	(151,222)	0.00	1,708,241
General Assembly	39,553,848	(2,654,234)	0	(2,654,234)	-10.00	36,899,614
Governor	5,442,905	(504,595)	0	(504,595)	-8.00	4,938,310
Insurance	23,527,552	0	0	0	-4.56	23,527,552
Insurance - Worker's Compensation Fund	4,500,000	0	(2,500,000)	(2,500,000)	0.00	2,000,000
Lieutenant Governor	669,545	(53,280)	0	(53,280)	-1.00	616,265
Office of Administrative Hearings	2,795,155	(233,742)	0	(233,742)	-3.00	2,561,413
Revenue	77,955,704	(2,384,400)	0	(2,384,400)	-21.00	75,571,304
Rules Review Commission	325,795	(9,981)	0	(9,981)	0.00	315,814
Secretary of State	8,286,850	(194,156)	15,990	(178,166)	-6.00	8,108,684
State Board of Elections	3,186,269	(40,378)	250,000	209,622	0.00	3,395,891
State Budget and Management	5,354,938	(300,057)	0	(300,057)	-4.00	5,054,881
State Budget and Management -- Special	3,080,000	0	100,000	100,000	0.00	3,180,000
State Controller	11,523,868	(1,101,040)	0	(1,101,040)	-5.00	10,422,828
Treasurer - Operations	7,216,817	671,618	0	671,618	-2.00	7,888,435
Treasurer - Retirement / Benefits	12,379,780	(5,248,601)	0	(5,248,601)	0.00	7,131,179
Total General Government	340,514,078	(23,415,008)	(949,557)	(24,364,565)	-182.81	316,149,513

	2002-03					2002-03
	Authorized	Recurring	Nonrecurring	Net	Position	Revised
	Appropriation	Adjustments	Adjustments	Changes	Changes	Appropriation
<u>Health and Human Services:</u>						
Office of the Secretary	48,008,705	19,776,228	0	19,776,228	-24.00	67,784,933
Aging Division	29,531,910	(926,000)	0	(926,000)	0.00	28,605,910
Blind and Deaf / Hard of Hearing Services	10,168,115	(643,013)	0	(643,013)	-1.00	9,525,102
Child Development	289,058,396	(22,228,035)	15,000,000	(7,228,035)	-6.00	281,830,361
Education Services	69,581,525	(4,104,503)	0	(4,104,503)	-77.50	65,477,022
Facility Services	15,442,236	(748,170)	0	(748,170)	-5.00	14,694,066
Medical Assistance	2,219,446,892	14,114,441	(43,747,538)	(29,633,097)	-2.00	2,189,813,795
MH/DD/SAS	581,068,627	(9,487,015)	1,780,000	(7,707,015)	-95.75	573,361,612
NC Health Choice	37,487,142	(168,964)	7,740,000	7,571,036	0.00	45,058,178
Public Health	107,434,083	(10,045,770)	3,450,000	(6,595,770)	-12.45	100,838,313
Social Services	194,763,531	(12,833,025)	(1,350,000)	(14,183,025)	-44.00	180,580,506
Vocational Rehabilitation	42,088,956	(3,230,105)	0	(3,230,105)	-26.00	38,858,851
Total Health and Human Services	3,644,080,118	(30,523,931)	(17,127,538)	(47,651,469)	-293.70	3,596,428,649
<u>Justice and Public Safety:</u>						
Correction	930,964,916	(22,603,242)	(28,306,866)	(50,910,108)	-366.40	880,054,808
Crime Control & Public Safety	28,493,506	(713,318)	0	(713,318)	-16.00	27,780,188
Judicial Department	305,465,135	(10,128,667)	(700,299)	(10,828,966)	-55.00	294,636,169
Judicial - Indigent Defense	68,867,771	3,469,130	4,950,000	8,419,130	61.00	77,286,901
Justice	73,785,584	(1,456,276)	(1,391,115)	(2,847,391)	-19.00	70,938,193
Juvenile Justice & Delinquency Prevention	142,554,017	(13,357,423)	(211,961)	(13,569,384)	-190.50	128,984,633
Total Justice and Public Safety	1,550,130,929	(44,789,796)	(25,660,241)	(70,450,037)	-585.90	1,479,680,892
<u>Natural And Economic Resources:</u>						
Agriculture and Consumer Services	55,268,040	(4,677,739)	(144,719)	(4,822,458)	-67.50	50,445,582
Commerce	44,280,374	(10,150,110)	(200,000)	(10,350,110)	-19.91	33,930,264
Commerce - State Aid	5,200,000	5,085,000	0	5,085,000	0.00	10,285,000
Environment and Natural Resources	158,722,700	(9,994,113)	90,000	(9,904,113)	-114.84	148,818,587
DENR - Clean Water Mgmt. Trust Fund	70,000,000	0	(3,500,000)	(3,500,000)	0.00	66,500,000
Labor	15,117,906	(951,725)	0	(951,725)	-9.38	14,166,181
NC Housing Finance Agency	5,300,000	(540,600)	0	(540,600)	0.00	4,759,400
NC Biotechnology Center	6,270,468	(377,047)	(250,000)	(627,047)	0.00	5,643,421
Rural Economic Development Center	5,090,749	(423,851)	0	(423,851)	0.00	4,666,898
Total Natural and Economic Resources	365,250,237	(22,030,185)	(4,004,719)	(26,034,904)	-211.63	339,215,333
<u>Transportation</u>	13,393,341	(1,143,341)	(1,347,500)	(2,490,841)	0.00	10,902,500

	2002-03					2002-03
	Authorized	Recurring	Nonrecurring	Net	Position	Revised
	Appropriation	Adjustments	Adjustments	Changes	Changes	Appropriation
Statewide Reserves and Debt Service:						
Debt Service:						
Interest / Redemption	352,266,860	(36,750,000)	(61,000,000)	(97,750,000)		254,516,860
Federal Reimbursement	1,155,948	0	0	0		1,155,948
Subtotal Debt Service	353,422,808	(36,750,000)	(61,000,000)	(97,750,000)	0.00	255,672,808
Statewide Reserves:						
Teachers/Principals Step Increase		51,937,267	0	51,937,267		51,937,267
Asst/Deputy Clerks/Magistrates Step Increase		1,980,700	0	1,980,700		1,980,700
Compensation Increases	193,842,000	(4,247,868)	0	(4,247,868)		189,594,132
State Health Plan	200,000,000	(12,621,872)	0	(12,621,872)		187,378,128
Retirement Rate Adjustment	(241,002,720)	(144,525,000)	0	(144,525,000)		(385,527,720)
Judicial Retirement Rate Adjustment	(2,265,000)			0		(2,265,000)
Employee Severance Compensation	0	0	5,000,000	5,000,000		5,000,000
Contingency and Emergency	5,000,000	0	0	0		5,000,000
Salary Adjustment Fund	500,000	0	0	0		500,000
Governor's Efficiency Commission		(25,000,000)	0	(25,000,000)		(25,000,000)
Management Flexibility		(41,500,000)	0	(41,500,000)		(41,500,000)
ITS Rate Reduction	(4,000,000)	(3,414,318)	0	(3,414,318)		(7,414,318)
MH/DD/SAS Trust Fund	0	0	8,000,000	8,000,000		8,000,000
Easterling TF for Children with Special Needs	0	0	1,000,000	1,000,000		1,000,000
HIPAA Implementation	0	0	2,000,000	2,000,000		2,000,000
Subtotal Statewide Reserves	152,074,280	(177,391,091)	16,000,000	(161,391,091)	0	(9,316,811)
Total Reserves and Debt Service	505,497,088	(214,141,091)	(45,000,000)	(259,141,091)	0.00	246,355,997
Total General Fund for Operations	14,782,570,626	(332,065,235)	(129,840,515)	(461,905,750)	-814.24	14,320,664,876
Other General Fund Expenditures:						
Capital Improvements	0	0	31,158,000	31,158,000		31,158,000
Repairs and Renovations	0			0		0
Total Other General Fund Expenditures	0	0	31,158,000	31,158,000	0.00	31,158,000
Total General Fund Budget	14,782,570,626	(332,065,235)	(98,682,515)	(430,747,750)	-814.24	14,351,822,876

EDUCATION

Overview: 2002 Session Fiscal and Budgetary Actions

Community Colleges

GENERAL FUND

FY 02-03

Total Budget Approved 2001 Session

\$643,195,459

Budget Changes

A. Community College System Office

1 Operating Efficiencies

(\$882,117) R

Reduces the Executive Division by 2.5 positions totaling \$109,356 and operating line items totaling \$30,650. Reduces the Administration Division by 5 positions totaling \$180,522 and operating line items totaling \$262,096. Reduces the Business and Finance Division by 1 position totaling \$29,026 and operating line items totaling \$43,697. Reduces the Academic and Student Services Division by 2 positions totaling \$98,862 and operating line items totaling \$67,034. Reduces the Workforce Development Division by 1 position totaling \$32,110 and operating line items totaling \$28,694.

-11.50

B. State Aid - Categorical Programs

2 Systemwide Projects

(\$27,000) R

Eliminates the appropriation for Systemwide Projects. This funding was used to pay for the printing of G.S. 115D. Since the Statutes are now available on-line, the printing is no longer necessary.

3 Public Radio Isothermal

(\$14,991) R

Reduces the appropriation for the public radio station at Isothermal Community College by 10% from \$149,912 to \$134,921. Isothermal Community College is the only college receiving a public radio subsidy that offers a degree program in Broadcasting and Production Technology.

4 Public Radio Craven

(\$149,912) R

Reduces the State subsidy for Craven Community College's public radio station from \$149,912 to \$100,000.

\$100,000 NR

5 Public Radio Gaston

Provides funds for Gaston College's public radio station.

\$100,000 NR

6 Special Allotments

(\$230,397) R

Reduces the State subsidy for the sawmill program at Haywood Community College by 50%. Reduces the remaining special allotment programs by 10%.

7 Faculty Upgrade

(\$507,067) R

Reduces the appropriation for professional development programs by 50% from \$1,014,135 to \$507,068.

8 Equipment Reduction

(\$1,000,000) R

Reduces the state appropriation for equipment by \$2 million, from \$16,319,732 to \$14,319,732.

9 NC Information Highway Line Charges

\$1,212,300 R

Continues the funding for the operation of the NC Information Highway at 45 colleges.

E. Formula Modifications**10 Academic Support Supplement**

(\$3,000,000) R

Transfers funds previously appropriated in the Curriculum formula for the Academic Support Supplement to a separate line item in State aid fund code 1600. Reduces the amount appropriated for the Academic Support Supplement by \$3,000,000, from \$11,886,683 to \$8,886,683.

F. Tuition, Enrollment, and Financial Aid**11 Adjustment for Over-Realized Receipts**

(\$3,299,824) R

Increases the budgeted amount of tuition and registration fees to more accurately reflect anticipated receipts.

(\$2,309,234) NR

12 Increase Curriculum Tuition Charge

(\$10,754,640) R

Increases the in-state tuition charge per semester hour by \$3.25 from \$31.00 to \$34.25. Increases the out-of-state tuition charge per semester hour by \$17.50 from \$173.25 to \$190.75. Changes the semester credit hour limit for summer term curriculum tuition from 9 hours to 16 hours. It is anticipated that for most students, this increase will be off-set by federal and State financial assistance programs.

13 Enrollment Adjustment

\$51,848,813 R

Fully funds the Community College enrollment request.

14 Increase Need-Based Financial Aid

Increases the Need-Based Financial Aid fund from \$6,062,806 to \$7,062,806. This item is funded from the Escheats fund.

G. Management Flexibility**15 State Board of Community Colleges Discretionary Reduction**

(\$5,000,000) R

Gives the State Board of Community Colleges the flexibility to implement a \$5,000,000 reduction within the Community College System budget.

Budget Changes	\$28,195,165	R
	(\$2,109,234)	NR
Total Position Changes	-11.50	
Revised Total Budget	\$669,281,390	

Special Provisions **SB 1115**

Department: Community Colleges

Section: 8.1

Title: **Community College Funding Flexibility**

Summary: Boilerplate language allowing community colleges to establish their budgets according to their local missions. Limits the transfer of funds from faculty salaries to 2% systemwide.

Section: 8.2

Title: **Regional Program**

Summary: Directs the State Board to consider regionalization of existing and new programs. Requires the State Board to report on all programs approved or terminated during the year, the reason for the program approval, and the progress made regarding regionalization.

Section: 8.3

Title: **Regional Economic Development Vision Plans**

Summary: Directs the State Board to work with the Department of Commerce and the Board of Governors of the University System and the seven regional economic development commissions to adopt a joint policy that requires the development of a five-year plan for each of the economic development regions in the State. Each plan shall determine the economic development goals and the future job market in the region and shall identify community college and university courses currently offered or needed to effectuate those goals.

Section: 8.4

Title: **Haywood Regional High Technology Center**

Summary: Moves funding for the Regional High Tech Center at Haywood Community College (robotics) from the special allotments line item to a new line item entitled "Haywood Regional High Technology Center." Directs the State Board to study the Center to determine whether similar centers should be created in other regions of the State.

Section: 8.5

Title: **Realignment of Funding**

Summary: Moves the Academic Support Supplement from the curriculum instructional formula to a separate line item. Directs the State Board to report any recommendations regarding formula modifications to the General Assembly. Directs the State Board to allocate up to \$200,000 from overrealized receipts for the Botanical Laboratory at Fayetteville Technical Community College.

Section: 8.6

Title: **Temporary Rules on FTE for Training Provided to Law Enforcement Personnel and on Generic Fees**

Summary: Allows the State Board to adopt temporary rules clarifying the conditions under which community colleges may earn budgeted FTE for training provided to law enforcement, fire and rescue services, and emergency medical service personnel. Allows the State Board to adopt temporary rules clarifying the definition of fees charged to students.

Section: 8.7

Title: **Community College System Study**

Summary: Directs Education Oversight, in conjunction with the State Board, to hire an outside consultant to study the organization and structure of the Community College System, the administrative formula, and the funding of multicampus colleges and off-campus centers. Also, allows Education Oversight to hire an outside consultant to study Community College System funding, including State funds, county funds, and tuition rates.

Section: 8.8

Title: **Flexibility to Implement Budget Reductions**

Summary: Allows the State Board to transfer funds within the System Office budget to implement budget reductions.

Section: 8.9

Title: **Transfer of Community College Positi**

Summary: Transfer a receipt supported position from the Community College System Office to the Department of Public Instruction. This position was transferred to the System Office when the Bureau of Training Initiatives was moved from the Department of Labor in FY01-02. The position mainly works with the High School Apprenticeship program.

(Note: Section 71 of SB 1217, 2002 Technical Corrections, SL 2002-159, adds this provision to SB 1115, S.L. 2002-126.)

Section: 8.10

Title: **Hosiery Center Fund**

Summary: Allows the Hosiery Center to keep fees collected by the Center for product testing; exempts purchases using those fees from State purchasing requirements. (Originally H.B. 1626)

Section: 8.13

Title: **Scholarships for Prospective Teachers**

Summary: Allows the State Board to use up to \$1 million for a non-recurring grant to the North Carolina Community College Foundation to match a donation from Glaxo Smith Kline. (Originally S.B. 1467, H.B. 1681)

Section: 8.14

Title: **State Board of Community College Management Flexibility**

Summary: Directs the State Board to report to Fiscal Research on all reductions made in order to meet the management flexibility reduction.

Overview: 2002 Session Fiscal and Budgetary Actions

Public Education

GENERAL FUND

FY 02-03**Total Budget Approved 2001 Session****\$5,922,188,546**

Budget Changes

A. Adjustments to Budget Requirements

- 16 Continuation Adjustment for Average Daily Membership** \$29,857,304 R
Revise the projected increase for FY 2002-03 to reflect an additional 8,695 in average daily membership (total increase over FY 2001-02 is 25,817). The dollar amount reflects the Continuation Budget impact of this increase on all position, dollar, and categorical allotments. Total funded student population for FY 2002-03: 1,326,865.

The increase for ADM growth for Driver Education is \$236,139 which is transferred to the General Fund from the Highway Fund.
Total ADM increase for the General Fund and Highway Fund is \$30,093,413.
461.90
- 17 Average Annual Salary Adjustment** (\$22,788,638) R
Annual adjustment of average budgeted salary for certified personnel. Adjustment is based on actual salaries paid to certified personnel through December 2001.
- 18 Additional Adjustments to Average Salary Projections** (\$5,964,427) R
In addition to the annual Continuation Budget adjustment to average budgeted salary for certified personnel, a more recent review of certified personnel salaries from updated salary data identified an additional reduction in projected salary needs for FY 2001-03.
- 19 Adjustment for Unutilized Position Allotments** (\$5,361,201) NR
Adjustment based on the estimated actual utilization of position allotments.
- 20 Classroom Materials/Instructional Supplies/Equipment** (\$2,273,979) R
Adjust the increase for inflation to a 3% growth (in line with the Consumer Price Index) from the 5% growth used to build the Continuation Budget. The Instructional Supply allotment for FY 2002-03 will be \$41.45 per ADM after this adjustment.

Also see Special Provision related to instructional material/instructional supplies/equipment (SB 1115, Section 7.9).

21 Transportation

(\$5,800,000) R

Current inventory levels (oil, tires, and parts) at local school administrative units indicate that additional supply needs for next year will be minimized. Last year's non-recurring adjustment of \$4 million will become a recurring reduction. Also, reduce for lower anticipated fuel cost \$1.8 million.

22 School Bus Purchases

(\$19,600,000) NR

Implement a lease/purchase process that will allow for the payment of school buses over a 3-year period. See related Special Provision (SB 1115, Section 7.14).

23 Redirect Capital Funds to Support Public Schools through the General Fund

(\$44,549,776) NR

For the 2002-03 fiscal year, do not transfer corporate tax funds to the Public School Building Capital Fund or the Critical School Facility Needs Fund. Instead, transfer the funds as a receipt to the Public School Fund to temporarily offset the costs for public school operations. For FY 2002-03, General Fund appropriations will be reduced by the amount that was scheduled to be transferred to the capital accounts.

Based on 1987 legislation (HB 1514, Sec. 178), the Office of State Budget Management shall continue to transfer funding to support six staff members in the School Planning Division of the Department of Public Instruction (\$450,224).

See related Special Provision (SB 1115, Section 7.16).

24 Funding for Visiting International Faculty

(\$1,000,000) R

State Board of Education Policy allows Local School Administrative Units to convert teaching positions to dollars to cover the contract cost for Visiting International Faculty. The conversion to dollars shall be based on an allotted average teacher salary of \$45,016 (with benefits) reduced by 2.963%. This will adjust the conversion amount to \$43,682. The reduction included is based on FY 2001-02 program enrollment of approximately 750 teachers.

25 Revise Headcount for Children with Special Needs

(\$4,768,604) R

Adjust Continuation Budget to reflect actual April 1, 2002, headcount. The Continuation Budget was constructed based on an estimated population of children with special needs. See related Special Provision (SB 1115, Section 7.4).

B. Reduction of Administration Cost

26 Central Office Administration	(\$3,338,893)	R
Freeze local school administration units (LEAs) allotments at the FY 2001-02 allotment level (\$1,574,452 reduction to the Continuation Budget) and reduce each LEA by 1.75% (\$1,764,441) from their FY 2001-02 funding level. The new allotment formula developed by the State Board of Education is not to be implemented in FY 2002-03.	-50.00	
Also see Special Provision to study central office duties (SB 1115, Section 7.19).		
27 School Building Administration	(\$4,627,564)	R
Decrease the allotment for Assistant Principals by changing the allotment formula to one ten-month position for every 761.44 students in average daily membership (ADM). The FY 2001-02 allotment was one ten-month position per 725.18 ADM. A reduction of 87.1 10-month positions.	-87.10	
28 Regional Education Service Alliances	(\$3,017,317)	R
Eliminate State funding distributed to local school administrative units that could be used to support the Regional Education Service Alliances. See related Special Provision (SB 1115, Section 7.12).		
29 Uniform Education and Reporting System (UERS)	(\$5,000,000)	NR
Based on the current NC WSE implementation schedule, the Department of Public Instruction has indicated that a one-time reduction in funding is possible.		
Also see Special Provision that authorizes the leasing or purchasing of equipment from these funds (SB 1115, Section 7.6).		
30 Department of Public Instruction	(\$2,750,000)	R
The Department of Public Instruction will eliminate 36 positions. Of the 36 eliminated positions, 9.6 are paid from receipts and 26.4 are paid from State funds. Three (3) of the State positions were vacant.	-36.00	
Total State savings from Positions: \$1,460,280		
Total Other Departmental Reductions: \$1,289,720		
Reductions to receipt-supported positions are not included in meeting the \$2,750,000 reduction target but are included in the position reduction count.		
See related Special Provision (SB 1115, Section 7.13).		

C. Continuation Budget Reductions

31 Non-Instructional Support Personnel	(\$10,000,000)	R
Reduce allotment approximately 3.3%. Funding is used to employ custodians, school clerical support and substitute teacher pay. The reduction will not impact the amount of funding available for substitute teachers. The estimated impact is the equivalent of 240 custodian positions and 172 clerical positions.	-412.00	
32 Mentor Pay	(\$3,134,984)	R
Restrict funding to mentor teachers assigned to State-paid first and second year teachers and first-year instructional support. See related Special Provision (SB 1115, Section 7.10).		
33 Payments for Teacher Unused Vacation Days (Forfeited Vacation)	(\$3,750,000)	R
Teachers are allowed to have excess annual leave over 30 days either converted to sick leave or paid at the end of the year. The amount of leave that can be paid is limited to the excess days that can be attributed to required work days which made it impossible for the teacher to take the leave during the school year. The payment option was established since the amount of sick-leave allowed to be converted to employment credit at retirement was restricted to the amount earned over the employees term of employment. Last year the sick leave conversion maximum was eliminated. By eliminating this maximum teachers can now convert all sick leave earned towards retirement credit; therefore, this special payment option is no longer needed. See related Special Provision (SB 1115, Section 7.11).		
34 Appropriations to Non-Public School Agencies	(\$208,230)	R
Reduce funding to Public School Forum, Cities/Communities in Schools, NC Network, Teacher Cadet, and Schools Attuned by 10%		
35 ExplorNet	\$100,000	R
Appropriate funds to ExplorNet non-profit for assistance to public schools		
36 Total Quality Education (TQE)	\$50,000	R
Appropriate funds to TQE (a non-profit program) for assistance to public schools.		

E. Management Flexibility**37 Local Education Agency Discretionary Reduction**

The State Board of Education shall distribute this local education agency discretionary reduction in an equitable manner and require allotment reductions in this amount within 30 days of budget passage.

(\$42,613,922) NR

Local School Administrative Units have flexibility to adjust their budgets to implement this reduction; therefore, it is not possible to identify the number of positions impacted.

See related Special Provision (SB 1115, Section 7.26).

F. Other Budget Adjustments**38 ABC Bonuses**

Provide funding for ABC bonuses for school's meeting or exceeding expected growth in 2001-02. See related Special Provision (SB 1115, Section 7.7).

\$101,000,000 NR

39 Reduction in Class Size

Reduce the teacher to student allotment ratio for first grade to 1:18 (down from 1:20). See related Special Provision (SB 1115, Section 7.25).

\$26,806,005 R

594.50

40 Information Highway Line Charges

Continue State funding for payment of Information Highway connectivity for sites previously funded.

\$1,200,000 R

41 Low Wealth Supplemental Funding

Increase funding for school districts in counties with less ability to generate local resources for public schools

\$3,000,000 R

42 Small County Supplemental Funding

Increase funding to county school systems eligible for small county supplemental funding. See related Special Provision (SB 1115, Section 7.43).

\$1,000,000 R

43 Staff Development

A one time adjustment in funding.

(\$100,827) NR

Budget Changes

(\$11,409,327) R

(\$16,225,726) NR

Total Position Changes

471.30

Revised Total Budget

\$5,894,553,493

Special Provisions **SB 1115**

Department: Public Education

Section: 7.1

Title: **Teacher Salary Schedules**

Summary: Outlines teacher salary schedules for fiscal year 2002-03. The schedule is the same schedule as authorized in FY 2001-02, however, teachers will receive a salary increase by moving up the schedule for another year of experience. The average teacher salary increase is 1.84% (ranging from 0% for teachers with 29+ years of experience to 5.85% for teachers with 3 years of experience). Teachers with 29+ years of experience will receive an additional 2 weeks of paid annual leave (see Section 28.3A and Section 82 of SB 1217 [technical corrections bill]).

Section: 7.2

Title: **School-Based Administrator Salary Sched**

Summary: Outlines principal and assistant principal salary schedules for fiscal year 2002-03. The schedule is the same schedule as authorized in FY 2001-02, however, principals and assistant principals will receive a salary increase by moving up the schedule for another year of experience (principals also receive an additional step increase for every 3 years employed as a principal). The average salary increase is 2%.

Section: 7.3

Title: **Litigation Reserve Funds**

Summary: Authorizes the State Board to transfer \$500,000 from the State Public School Fund to pay expenses related to pending litigation.

Section: 7.4

Title: **Children With Disabilities**

Summary: Specifies the number of students funded (161,845) and the supplemental appropriation per funded student (\$2,686.50), which will be adjusted for legislated salary/benefit changes.

Section: 7.5

Title: **Funds for Academically Gifted Children**

Summary: Specifies that 4% of a local education agency's average daily membership (ADM) shall receive supplemental funding for services to academically and intellectual gifted students. Statewide funding is based on 53,075 students at a funding level of \$888 per funded student. The funding factor will be adjusted for legislated salary/benefit changes.

Section: 7.6

Title: **Funds for the Testing and Implementation of the New Student Information S**

Summary: Allows for the use of up to \$1 million from the funds appropriated for the new student information system to be used for the purchase or lease of equipment by the Department of Public Instruction for implementation of the NC WISE system.

Section: 7.7

Title: **Funds to Implement the ABCs of Public Education**

Summary: Authorizes the State Board of Education to utilize funds appropriated for FY 2002-03 (\$101 million) to assure that incentive awards earned in FY 2001-02 are paid.

Bonus payments remain at the same level as previous years:

- Up to \$1,500 for certified school employees and \$500 for teacher assistants in schools that exceeded ABCs expectations.

- Up to \$750 for certified school employees and \$375 for teacher assistants in schools that met ABCs expectations.

- Funding is included for the five school systems piloting a modified ABCs program that disaggregates student performance within designated demographic groups. This funding is in addition to the awards outlined above (\$750 for certified personnel and \$325 for teacher assistants if the goals are met). The five school districts are Bladen, Craven, Forsyth, Mecklenburg, and Pasquotank.

Section: 7.8

Title: **Revision of Reading and Writing Assessments**

Summary: Authorizes the State Board to transfer up to \$1 million of funds appropriated to revise the reading and writing assessments.

Section: 7.9

Title: **Funds for Instructional Suppli**

Summary: Eliminates the requirement to allow teachers access to \$100 for the purchase of classroom supplies (established in the FY 2001-02 budget).

Requires that the Joint Legislative Education Oversight Committee study the viability of the State utilizing an on-line school supply vendor to allow teachers to directly purchase supplies for the classroom.

Section: 7.10

Title: **Funds for Mentor Pay**

Summary: Authorizes the use of State mentor funding for State-paid teachers and instructional support personnel only. Mentors will be paid \$100 per month to work with newly certified State-paid teachers in their first two years of employment as teachers or for entry-level instructional support personnel who have not previously been teachers.

Section: 7.11

Title: **Conversion of Accumulated Leave Time**

Summary: Eliminates the ability for teachers to be paid for excess annual leave days (over 30 days at the end of the year when the teacher was not able to take the time due to required teacher work days). Since the General Assembly removed the limit on the amount of sick leave that can be converted toward retirement (in last year's budget), the special payment provision was no longer required. Excess annual leave will be converted to sick leave at the end of the fiscal year.

Section: 7.12

Title: **RESA Funds Shall Be Used for Staff Development**

Summary: The budget eliminated funding for Regional Education and Technical Assistance Centers. Unused funds as of June 30, 2002 were allowed to carryover into FY 2002-03. This provision moves the carryover to staff development.

Section: 7.13

Title: **Base Budget Reduction to Department of Public Instruction/Reorganization of the Department**

Summary: Allows the Department of Public Instruction to shift and reclassify positions as necessary to implement the reduction in force required by the budget (36 positions were eliminated).

Requires the Office of State Budget and Management to obtain bids for an outside review of the Department of Public Instruction's structure and operation.

Authorizes the State Board of Education to reorganize, create an additional Associate Superintendent position, and move funding among fund codes.

Section: 7.14

Title: **Replacement School Buses Fund**

Summary: Authorizes the lease purchase of school buses. Buses can be purchased over a 3-year period.

Waives the vendor payment of the electronic procurement transaction fee (1.75%) when purchasing school or school activity buses.

Section: 7.15

Title: **Curriculum Review Required on a Regular Basis**

Summary: Changes the State Board requirement to revise academic content standards for each core academic area from 5-year intervals to 'on a regular basis' (gives the State Board the discretion to establish when to revise academic content).

Section: 7.16

Title: **Corporate Tax Transfer Moratorium**

Summary: Redirects, for one year only, the funding earmarked for the Critical School Facility Needs Fund and the Public School Building Capital Fund to the State Public School Fund to support ongoing school operations. The provision continues to allow some of the funding to be used by the Department of Public Instruction to support six positions in the School Planning Division.

Section: 7.17

Title: **Study Modifications**

Summary: This provision extends several studies outlined in last year's budget bill since the Joint Legislative Education Oversight Committee was only able to meet a few times between sessions. Studies included are:

- Compliance report on nonsupplant requirement related to low wealth and small county supplemental funding.
- Study of the Textbook Distribution System. An outside contractor will review if the textbook warehouse is the most efficient way to distribute textbooks to public schools along with studying the effectiveness of the textbook distribution process.
- Study the Salaries of School Fund Service Workers and Custodians.
- Study the Salary Differentials for Instructional Support Personnel. The study examines how salaries are tied to degrees and credentialing.
- Fairness in Testing. The study requires a complete review of the State's testing program.
- Study of Professional Development for School Personnel.

The provision also deletes the study for Noncitizen Tuition Rates (included in last year's Study Bill)..

Section: 7.18

Title: **Performance-Based Licensure Program/Suspension of Portfolio Requirement and Study**

Summary: Suspends for 2-years the requirement for teachers to complete a portfolio as a part of Performance Based Licensure. Interim requirements will be established by the State Board and presented to the Joint Legislative Education Oversight Committee for review.

Requires the State Board to contract with an outside consultant to review and recommend changes to the initial certification, continuing certification, and the recertification programs. Results of the study/review shall be presented to the Joint Legislative Education Oversight Committee by January 1, 2004.

Section: 7.19

Title: **Study of Coordination of Central Office Duties**

Summary: Requires the State Board to determine how duties can be coordinated among school systems that could lead to savings in the Central Office Administration funding formula.

Section: 7.20

Title: **Discrepancies Between Anticipated and Actual A**

Summary: Authorizes the State Board of Education to move resources around to assure that school systems receive funding based on actual student enrollment (when actual average daily membership (ADM) exceeds projected ADM by 100 students or 2%).

Authorizes the State Board of Education to reduce selected allotment categories when actual first-month ADM is 100 or 2% less than projected. The reduction to the selected allotment categories will be based on one-half of the excess ADM.

Section: 7.21

Title: **High School Exit Examination**

Summary: Requires the State Board of Education to stop developing the High School Exit Exam until the State Board studies the high school equivalent exam requirements outlined in the federal No Child Left Behind Act of 2001.

Section: 7.22

Title: **Clarification to Provision on Addressing Teacher Shortage**

Summary: Clarifies that the \$1,800 bonus for math, science, and special education teachers in designated schools is only for teachers assigned to classes in grades 6 through 12. Designated schools are middle and high schools with 80% or more of the students eligible for free and reduced lunch or 50% or more of the students are performing below grade level in Algebra I and Biology.

Section: 7.24

Title: **Extend Alternative Lateral Entry Program**

Summary: Extends the sunset date on this lateral entry option:
When a LEA determines there is or anticipates there will be a shortage of qualified teachers for particular subjects or grade levels, the local board can employ an individual for up to one year under a provisional certificate so long as:

- The individual has at least a bachelors degree
- The individual has an out-of-state teaching certificate with one-year of teaching experience relevant to the subject or grade to be taught, or at least one year of relevant classroom teaching experience in an institute of higher learning, or three years of other experience that the local board believes is related to the subject the individual will teach (and the individual's education must also be determined by the local board as relevant).
- The individual is eligible for re-employment by his or her prior employer.
- The individual must take and pass the PRAXIS to become permanently certified. The teacher certified in another state does not have to take and pass Praxis if the LEA wants to rehire them.

Section: 7.25

Title: **Additional Teacher Positions for First Grade**

Summary: The provision follows the money that reduced the teacher to student allotment ratio from one teacher for every 20 students in average daily membership (ADM) to one teacher for every 18 students in ADM.

The additional positions can only be used to reduce class size in the first grade.

The maximum average class size for all first grade classes within an LEA for FY 2002-03 will be 21 students. Individual classes cannot exceed 24 students.

Section: 7.26

Title: Local Education Agency Flexibility

Summary: Within 14 days of the date the Budget Bill becomes law, the State Board of Education will notify the local education agencies (LEAs) as to the amount of reductions each LEA must identify to the State allotments distributed to the LEA in the Initial Allotment.

The Flexibility Reserve will be adjusted (reduced) if any LEA's first-month average daily membership (ADM) is more than 500 students less than originally projected. Once adjusted, the Flexibility Reserve will be distributed to all LEAs based on each LEA's ADM.

LEAs have 30 days from the date the Budget Bill becomes law to identify which State allotments will be reduced to zero out the Flexibility Reserve.

Section: 7.27

Title: Business and Education Technology Alliance

Summary: Establishes a 27 member Alliance to help ensure that the effective use of technology is a part of North Carolina's school system. The Alliance advises the State Board of Education of how to prepare for a technologically literate citizen in 2025. The Alliance also will advise the State Board of Education on:

- a technology infrastructure, delivery, and support system
- staff development programs for teachers
- on what kind of funding and accountability system is needed

No State funding will be used to support the Alliance (federal and private funding will support the Alliance).

Section: 7.28

Title: High Priority School Waiver

Summary: Allows the State Superintendent of Public Instruction to grant a waiver for the FY 2002-03 school year which will allow a school not to implement the requirements outlined for High Priority Schools if:

- the Local Board requests the waiver; and
- the Superintendent determines that the school is making efforts comparable to the High Priority School requirements and the educational progress of the students in the school is satisfactory.

High Priority Schools are required to have class size allotments of one teacher per 15 students, the State does not fund teacher assistants for these schools (this does not eliminate the placement of teacher assistants at the school), extends the school year for students by 5 additional days, and extends the employment period for teachers by 5-days. High Priority Schools also receive an additional Instructional Support position to assist with community relationships.

Section: 7.30

Title: Notification of Field Testing

Summary: Requires the State Board to minimize the frequency of field testing at a specific school and to notify schools by October 1 of each year if they will have field tests at the school and what tests will be involved.

TECHNICAL CORRECTION in SB 1217 (Section 70):
Changed the October 1, 2002 date to January 1, 2003 for FY 2002-03.

Section: 7.31

Title: **Driver Education Funding**

Summary: This provision emphasizes that funding for Driver Education will be adjusted based on changes in 9th grade average daily membership (ADM) . The provision also requests the State Board of Education to consider the needs of low wealth and small counties when allocating funding for driver education.

Section: 7.32

Title: **Intervention Strategies for Continually Low-Performing Schools**

Summary: Allows the State Board of Education to have discretion on which strategies to implement and which schools to target with supplemental funding to support schools classified as continually low performing.

A continually low performing school is one that has been identified as low performing (via the ABCs) in 2 of the 3 consecutive years.

Funding is provided to the State Board based on a teacher to student allotment in grades 4-5 in identified schools of one teacher per 17 students. Grades K-3 is based on one teacher per 15 students. Funding is also provided based on extending teacher contracts by 10 days (5 for staff development and 5 for extended instruction).

Section: 7.33

Title: **Study Vocational Education Test**

Summary: Allows the Joint Legislative Education Oversight Committee to study how standardized test are used to evaluate students in vocational education classes.

Section: 7.36

Title: **Availability of Information on Employee Qualifications**

Summary: This provision was required to comply with reporting requirements related to the federal 'No Child Left Behind Act of 2001'. The federal act requires that a report be distributed to the parents that outlines specific information about the school and the personnel assigned to the school. This information requires that the certification status of the teacher be included which previously was not allowed by North Carolina statute.

Section: 7.37

Title: **Study of the Duties of School Counselors**

Summary: Requires that the State Board of Education review the duties of school counselors which includes the examination of the amount of time school counselors are spending coordinating the testing programs in the school.

Section: 7.38

Title: **Definition of Retired Teacher Modified**

Summary: Requires that a retired teacher who is returning to the classroom (returning under Section 28.10 of this bill) must be evaluated as a career teacher even though the teacher's employment is classified as probationary. The probationary classification relates to the returning teacher not being eligible for career status (tenure) once they return (when they return via Section 28.10 of this bill).

Section: 7.39

Title: **Limit Certification Renewal for Retired Teachers**

Summary: Allows a retired teacher returning to the classroom (returning under Section 28.10 of this bill) to not have to renew their teaching certification for 5 years (as long as the certification was up to date when the teacher retired).

Section: 7.41

Title: **Certification of School Nurses**

Summary: Requires that all school nurses employed in North Carolina's public schools after July 1, 1998, must be nationally certified. A nationally certified nurse must meet either the American Nurses' Association (ANA) or the National Association of School Nurses (NASN) requirements. Both of these organizations require a baccalaureate degree for certification.

Requires the Joint Legislative Education Oversight to review what is the appropriate level of certification/qualifications for nurses in public schools.

Section: 7.43

Title: **Small School System Supplemental Funding**

Summary: This provision addresses the distribution of the additional \$1 million appropriated for this category. The minimum instructional supplies/equipment allotment for each eligible county school system was increased \$37,037. 27 county school systems with average daily membership less than 4,000 receive this funding.

Section: 7.44

Title: **Sample Test to Validate K-2 Assessme**

Summary: To allow limited one-year assessment of K-2 students with a standardized reading test . This assessment is a condition of receipt of \$20 million in federal Reading First Grants. The assessment will be limited to 5% of the students in eligible public and charter schools. (Note: Section 70.5 of Senate Bill 1217 eliminates the one-year and 5% limitations and adds clarification that the assessment is authorized only to the extent necessary to receive federal Reading First grant funds.)

TECHNICAL CORRECTION in SB 1217 (Section 70.5):

Authorizes a pilot study to validate current K-2 assessment by utilizing a standardized reading assessment. Allows the assessment to be administered in eligible public schools which includes charter schools (eligibility relates to a school qualifying for the federal Reading First Grant). Standardized assessment will not be allowed if the federal reading first grant is not awarded to North Carolina.

Section: 7.45

Title: **Reserve for Experience Step Increase for Teachers and Principals in Public Schools**

Summary: Authorizes the salary increase outlined in 7.1 and 7.2 of this bill to be granted to teachers and principals in other State agency schools and in the North Carolina School for Science and Mathematics.

Special Provisions **SB 1217**

Department: Public Education

Section: 37.5

Title: **Use of Sick Leave for Child Adoption**

Summary: Rewrites G.S. 115C-302.1(j) to allow teachers to use up to 30 days of sick leave to care for a child placed with the teacher for adoption.

Adds 115C-336.1 which outlines current school policy that allows any school employee to take annual leave or leave without pay to care for a new born child or for a child being placed with an employee for adoption or foster care. An employee can take up to 30 days of sick leave to care for a child placed with the employee for adoption.

Section: 91.1

Title: **Ability for Charter Schools to Receive Funding Retroactively**

Summary: Specifies that nothing in the General Statutes or any local act entitles any charter school to retroactively recover any funds for penalties, fines, forfeitures, or supplemental taxes.

Overview: 2002 Session Fiscal and Budgetary Actions

UNC System

GENERAL FUND

FY 02-03

Total Budget Approved 2001 Session

\$1,798,320,830

Budget Changes

Campus Reductions

44 Reserves for New Facilities

Reduce funding in reserves for operation of new facilities due to delays in completion dates.

(\$2,666,533) NR

45 Tuition Surcharges

Budget tuition collected from 25% surcharge for taking more than 110% of required credit hours for degree.

(\$800,000) R

46 Campus Flexibility Reserve

Budget a reduction of 2.88% in all campus and other related budget codes. Decisions on where to take the reductions will be made at campus or operating level. This reduction does not apply to the NC School of Science and Mathematics.

(\$50,245,059) R

47 Center for Alcohol Studies

Reduce this year's appropriation to the Endowment for the Center for Alcohol Studies.

(\$250,000) NR

Related Educational Programs

48 Scholarships

Use fund balances in scholarship trust funds to reduce General Fund requirements for one year. Fund balances in Principal Fellows, Nursing Fellows, Nursing Need-based, and dormant funds in old Social Work Scholarship Funds are affected.

(\$1,938,000) NR

UNC General Administration

49 Budget Reduction

Reduce UNC General Administration and its programs. Board of Governors has authority to allocate reductions. No more than five percent (5%) shall be taken from any component program of the Center for School Leadership Development.

(\$2,063,801) R

50 MCNC Contract

Reduce funding for contracted services from MCNC Services may be provided on a fee for service basis, or MCNC may provide services for less cost.

(\$400,000) R

University Expansion Funds

51 Enrollment Increases	\$66,803,142	R
Provide funding for enrollment increases as proposed by the UNC Board of Governors. Provides funding for regular term enrollment, distance education enrollment, and holding 3 campuses harmless from enrollment declines.		
52 Enrollment: Focused Growth	\$11,000,000	R
Provide funding to 7 campuses designated by UNC as "focused growth" institutions to prepare for enrollment increases. \$10 million of the recurring funds shall be allocated in equal dollar amounts to the focused growth institutions.	\$2,666,533	NR
53 NC School of Science and Mathematics: Inflationary Increases	\$115,000	R
Provide funds for inflationary increases for operating budget.		
54 NC TEACH	\$500,000	R
Funds to continue the operation of the NC TEACH program to provide lateral entry alternatives for prospective public school teachers.		
55 Tuition Increases	(\$39,966,108)	R
Tuition increases of 8% for in-state students and 12% for out-of-state students have been approved by the Board of Governors for the 2002-03 academic year.		
56 Student Financial Aid		
Provides an additional \$4,497,000 in need-based student financial aid for UNC students from the Escheats Fund.		
57 Student Financial Aid: Funding Shift	(\$15,228,000)	NR
Fund continuation budget for UNC need-based scholarship funds with income from the Escheats Fund.		
58 Aid to Students Attending Private Colleges	\$2,249,105	R
Provides financial aid funding for additional NC students attending private college in North Carolina.		

Budget Changes	(\$12,807,721)	R
	(\$17,416,000)	NR
Total Position Changes		
Revised Total Budget	\$1,768,097,109	

Special Provisions **SB 1115**

Department: UNC System

Section: 9.2

Title: **Transfer Collection Responsibilities for Certain Scholarship Programs to SEAA**

Summary: Consolidates the collection of loan repayments from the NC Teaching Fellows Commission to the State Education Assistance Authority.

Section: 9.3

Title: **Substitution of UNC Bond Project**

Summary: Allows NCSU and NC School of the Arts to substitute bond projects.

Section: 9.4

Title: **UNC Scholarship Programs Consolidation**

Summary: Consolidates UNC Scholarships into one fund entitled UNC Campus Scholarships in order to protect the programs from potential lawsuits.

Section: 9.5

Title: **Eliminate UNC Mailing List Duplication**

Summary: Saves the university money by requiring only one mailing explaining the federal education tax credits instead of two.

Section: 9.6

Title: **Aid to Private Colleges Technical Correction**

Summary: Makes a technical correction to last year's codification of the Aid to Private College money.

Section: 9.7

Title: **UNC Flexibility Guidelines**

Summary: Requires each Chancellor to report the specific budget reductions made to implement the UNC Management Flexibility Reserve. (Note: Sec. 72 of Senate Bill 1217 changes the due date of the report from October 31, 2002 to November 30, 2002)

Section: 9.9

Title: **Focused Growth Pilot Program**

Summary: Allows three universities to use focused growth enrollment money for up to twenty prospective teaching scholars by waiving out-of-state tuition for these students.

Section: 9.10A

Title: **Report on Umstead Act Exemptions**

Summary: Requires a report from the Board of Governors to the Governmental Operations Committee on any activities undertaken under exemptions to the Umstead Act by the Centennial Campus at NCSU, the Horace Williams Campus at UNC-CH or any Millennial campus of the UNC system.

Section: 9.11

Title: **Out-of-State Institutions with NC Campuses**

Summary: Changed the aid to private college statute to allow eligibility for colleges accredited by the New England Association of Colleges and Schools with a main permanent NC campus. The intent is to make Johnson and Wales University students at a proposed Charlotte, NC campus eligible for student aid funds.

Section: 9.12

Title: **North Carolina School of Science and Mathematics**

Summary: Education Oversight shall study the School of Science and Mathematics. In addition, it prohibits the imposition of the proposed \$850 fee for the 2001-02 academic year and requires General Assembly approval prior to initiating fees.

Section: 9.13

Title: **Horace Williams Airpo**

Summary: Requires UNC-Chapel Hill to keep open the Horace Williams airport until January 1, 2005. Prior to moving the AHEC operations from this airport, the Chancellor must report to Governmental Operations Commission on the impact of any move.

Section: 9.14

Title: **Cooperative Extension/Agriculture Research Fac**

Summary: The UNC Board of Governors shall establish policies that allow the Chancellors with Cooperative Extension or Agriculture Research programs to redesignate EPA non-teaching faculty to EPA teaching faculty if it more accurately reflects the job responsibilities.

Section: 9.15

Title: **UNC Institutions/Golf Course and Transient Accommodations Facility/Umstead Act Exemption Reporting Requirement**

Summary: Universities shall not issue any debt or establish contracts for golf courses or transient accommodations facilities prior to providing the Governmental Operations Commission with specified financial and architectural information.

Section: 9.16

Title: **Report on University Fiscal Liabilit**

Summary: The UNC Board of Governors shall report to the Government Operations Commission on the fiscal and contingent liabilities and financing arrangements of all buildings on UNC property, regardless of ownership.

Section: 9.19

Title: **Funds for Need-Based Scholarshi**

Summary: Changes the statute on the distribution of the Escheat Fund to allow the income to be used for grants for need-based financial aid, as well as loans. This allows a non-recurring reduction in the General fund of \$20,725,000 to provide for need-based financial aid in higher education. \$15,228,000 is in the UNC base budget. This funds an increase of \$4,497,000 for UNC and \$1 million for community colleges in need-based student financial aid. The Governor is required to replace these with recurring General Fund money in the 2003-05 continuation budget.

**HEALTH
&
HUMAN SERVICES**

Overview: 2002 Session Fiscal and Budgetary Actions

Health and Human Services

GENERAL FUND

FY 02-03

Total Budget Approved 2001 Session

\$3,644,080,118

Budget Changes

Division of Aging

- | | | |
|---|-------------|---|
| 1 Funds for Senior Tarheel Legislature | (\$6,000) | R |
| Reduces funding for 3 meetings per year from \$9,000 to \$3,000 each fiscal year. | | |
| 2 Governor's Advisory Council on Aging | (\$4,000) | R |
| Reduces funding for meetings of the Governor's Advisory Council on Aging. | | |
| 3 Central Office Administration | (\$165,000) | R |
| Reduces the operating budget for the Division of Aging. | | |
| 4 Senior Centers | (\$381,000) | R |
| Reduces funding for Senior Center Development and Outreach. | | |
| 5 Area Agency on Aging Administration | (\$370,000) | R |
| Reduces funding for planning and administration for 17 AAAs across the state. | | |

Division of Child Development

- | | | |
|--|-------------|---|
| 6 Early Head Start Funds | (\$56,286) | R |
| Eliminates the remaining state funds that support the federal Early Head Start Program. | | |
| 7 Smart Start Evaluation | (\$500,000) | R |
| Eliminates funding for the Smart Start evaluation. | | |
| 8 Smart Start Professional Development Funds | (\$16,000) | R |
| Reduces professional development funds that are used to help child care employees improve their educational qualifications. | | |
| 9 Smart Start Automation | (\$44,810) | R |
| Reduces funds to Division of Information and Resource Management for information technology activities that support Smart Start. | | |

Overview: 2002 Session Fiscal and Budgetary Actions

FY 02-03

- | | | |
|--|----------------|----|
| 10 Local Smart Start Partnership Funds | (\$20,000,000) | R |
| Reduces the amount of funds for activities at the local partnership level. (SB 1115, Section 10.55) | | |
| 11 NCPC Administration | (\$980,000) | R |
| Reduces the North Carolina Partnership for Children's administrative costs. | | |
| 12 Criminal Record Checks | (\$12,000) | R |
| Reduces the budget for reimbursement to the State Bureau of Investigation for the cost of obtaining record checks. | | |
| 13 DCD Administration | (\$618,939) | R |
| Reduces administrative expenses including positions, operating costs, and equipment. Eliminates three vacant and three filled positions: 1.0 Administrative Secretary II, 1.0 Office Assistant IV, 1.0 Child Program Specialist, 2.0 filled Processing Assistant III's, and 1.0 filled Policy and Planning Consultant. Positions funded through a transfer of funding from the More At Four Program include: 1.0 filled and 2.0 vacant Child Program Specialists, and 1.0 vacant Administrative Assistant I. (SB 1115, 10.56(d)) | | |
| | -6.00 | |
| 14 Child Care Subsidy | \$15,000,000 | NR |
| Increase state appropriations for child care subsidy to replace federal funds historically used for this purpose. Due to a reduction in the Temporary Assistance for Needy Families (TANF) Block Grant, child care subsidy was funded at \$3,800,000 less for 02-03 fiscal year. These funds will also be used to address the waiting list for child care subsidy. | | |

Division of Facility Services

- | | | |
|---|-------------|---|
| 15 Operating Expenses | (\$126,000) | R |
| Reduces operating expenses throughout the Division of Facility Services including computer equipment replacement. | | |
| 16 Travel | (\$150,000) | R |
| Reduces travel expenses throughout the Division of Facility Services. | | |
| 17 Legal Services | (\$35,974) | R |
| Eliminates the contract with the Department of Justice for one paralegal position. | | |
| (Note: Section 84 of Senate Bill 1217, 2002 Technical Corrections, modified this reduction. The description reflects the modification. The Conference Committee Report for SB 1115 eliminated one paralegal position in the Division of Facility Services.) | | |

18 Various Contracts	(\$244,731)	R
Eliminates the following contracts:		
Solucient	\$54,000	
Sheps Center	\$90,731	
Reduce the following contracts:		
Miscellaneous Contracts	\$100,000	
19 Position Eliminations	(\$191,465)	R
Eliminates two vacant and two filled positions: 1.0 Facility Engineer Specialist, 1.0 Facility Survey Consultant I, 1.0 Staff Development Coordinator in the Office of EMS and 1.0 Administrative Assistant II in the Office of EMS		
	-4.00	
Division of Medical Assistance		
20 Asset Policy Change	(\$3,028,281)	R
Adopts the Supplemental Security Income (SSI) method for considering equity value in income-producing property for aged, blind, and disabled persons. (SB 1115, Section 21.19(y) in Section 10.11(a) and amended by SB 1217, Section 59)		
21 Drug Utilization Management	(\$37,374,352)	R
Expands implementation of various drug utilization measures to contain the cost of prescription drugs, including expanding the use of generic drugs. (SB 1115, Section 10.19(b) and amended by SB 1217, Section 75)		
22 Private Duty Nursing	(\$496,639)	R
Reduces reimbursement rates for private duty nursing service providers by 5%		
23 Personal Care Services Limitations	(\$2,655,057)	R
Reduces Personal Care Services by reducing the monthly limit for services from 80 hours per month to 60 hours per month.		
24 Asset Policy Changes for PCS Recipients	(\$423,959)	R
Modifies transfer of asset policy by applying the policy to persons receiving personal care services while residing in their home (SB 1115, Section 10.11(b) and SB 1217, Section 59)		
25 Pregnant Women Coverage for Minors	(\$244,793)	R
Modifies policy for determining eligibility for pregnant women coverage for minors by counting parental income (SB 1115, Section 21.19(n) of Section 10.11(a))		

26 Hospital Payments	(\$1,409,819)	R
Reduces payments to hospitals by 0.5%. Options for reducing payment include using waivers to reduce hospital costs associated with billing Medicaid and implementing a revised outpatient/emergency payment method to relate payment to services received. (SB 1115, Section 10.18)		
27 Prospective Rates for Home Health Services	(\$991,979)	R
Establishes prospective rate payment system for Home Health Services and pays for services based on an assessment of the specific needs of the Medicaid recipient. Payment for services will no longer be tied to the number of provider visits.		
28 Home Infusion Therapy	(\$88,809)	R
Reduces reimbursement rates for home infusion therapy providers.		
29 Home Health Supplies	(\$190,000)	R
Reduces reimbursement rates for home health supplies providers.		
30 Optional Services	(\$250,000)	R
Eliminates optional circumcision procedures except in cases of medical necessity. (SB 1115, Section 10.13)		
31 Carolina ACCESS II/III Cost Savings	(\$9,425,000)	R
Reduces expenditures for the Medicaid program to reflect anticipated savings from the expansion of Carolina ACCESS II/III activities including reducing hospital admissions, reducing ER visits, using best prescribing practices, increased generic prescribing, implementing polypharmacy review, reducing therapy visits, and better managing of high risk/high cost patients. (SB 1115, Section 10.12)		
32 Reimbursement Rate Reduction	(\$608,964)	R
Reduces reimbursement rates by 5% for the following services: ambulatory surgical centers, and high risk intervention.		
33 Durable Medical Equipment	(\$569,954)	R
Reduces reimbursement rates for durable medical equipment providers.		
34 Optical Service Providers	(\$202,840)	R
Reduces reimbursement rates for optical service providers by 5%		
35 Medicare Crossover Claims	(\$1,900,000)	R
Applies Medicaid medical policy to Medicare Crossover claims.		

36 Case Management Services

(\$7,716,342) R

Reduces case management services for adults and children by reducing rates, streamlining services and eliminating duplicative services. (SB 1115, Section 10.14)

37 Position Eliminations

(\$60,005) R

Eliminates two filled positions: 1.0 Physician II and 1.0 Dentist II.

-2.00

38 Medicaid Reserve Funds

(\$43,747,538) NR

Transfers funds from G S 143-23.2 reserve to support current services and to reduce appropriations. (SB 1115, Section 10.19D)

39 Revised Medicaid Forecast

\$81,751,234 R

Provides Increased funding for the Medicaid Program due to the revised forecast for SFY 2003.

Division of Mental Health, Developmental Disabilities, and Substance Abuse Services**40 Mental Retardation Centers**

(\$630,487) R

Reduces expenditures for state-operated mental retardation centers by decreasing outreach expenditures by 10% eliminating 4.50 vacant and 2.0 filled positions, and reducing salary reserve. Eliminated positions include: 1.0 Parent Trainer, 0.5 Housekeeper, 1.0 DHHS School Administrator II, 2.0 Outreach Specialist II's, and 1.0 Rehab Therapy Tech, and 1.0 DHHS Policy and Planning Coordinator. (SB 1115, Section 10.23)

-6.50

(Note: Section 84 of Senate Bill 1217, 2002 Technical Corrections, modified this reduction. The description reflects the modification. The Conference Committee Report for SB 1115 included 1.0 Outreach Specialist and 1.0 Patient Review Coordinator. SB 1217 increased the number of Outreach Specialists to 2.0 and deleted the Patient Review Coordinator.)

41 State Psychiatric Hospitals

(\$2,895,097) R

Reduces expenditures for state-operated psychiatric hospitals by eliminating 35 vacant and 26 filled positions; reducing education, training, and staff development; reducing expenditures for supplies, printing, and equipment; closing 5-bed TB Unit at Cherry hospital; Closing CPI outpatient unit at John Umstead Hospital, and eliminating 10 psychiatric beds at Cherry Hospital with no community transfer of funding. Eliminated positions include 24.0 Health Care Technician I's, 2.0 Clinical Social Workers, 2.0 Lead Psych Technicians, 1.0 Physician III-B, 2.0 Food Service Assistant II's, 1.0 Librarian, 1.0 LPN, 1.0 Nurse Education Instructor, 1.0 Patient Relations Representative IV, 1.0 Physician III-C, 1.0 Plant Maintenance Supervisor II, 1.0 Processing Assistant III, 1.0 Rehab. Therapist, 2.0 Senior Psychologist I's, 1.0 Social Worker Clinical Specialist, 3.0 Teachers, 1.0 Dental Assistant, 1.0 X-Ray Technician II, 1.0 Office Assistant V, 1.0 Adaptive Equipment Specialist, 1.0 Boiler Room Operator Shift Supervisor I, 1.0 FSA II, 1.0 Grounds Worker, 1.0 Housekeeping Supervisor II, 1.0 Human Services Coordinator III, 1.0 Mechanic Supervisor I, 1.0 OT Supervisor II, 1.0 Patient Relations Representative V, 1.0 Physical Therapy Assistant II, 1.0 Processing Unit Supervisor IV, and 2.0 Word Processor III's. (SB 1115, Section 10.23)

-61.00

(Note: Section 84 of Senate Bill 1217, 2002 Technical Corrections, modified this reduction. The description reflects the modification. The Conference Committee Report for SB 1115 included 1.0 Patient Relations Representative III. SB 1217 deleted the Patient Relations Representative III and substituted a Patient Relations Representative IV.)

42 Substance Abuse State Facilities

(\$184,818) R

Reduces expenditures for state-operated substance abuse facilities by eliminating 3.25 vacant and 12 filled positions, reducing salary reserve, contracting for dietary services, and reducing operating expenses such as travel, supplies, maintenance and equipment. Eliminated positions include: 4.0 Cook II's, 2.0 Cook Supervisor I, 1.0 Food Service Assistant I, 3.0 Food Service Assistant II's, 1.0 Food Service Supervisor IV, 1.0 Stock Clerk I, 1.0 Health Care Technician I, 1.0 Substance Abuse Counselor II, 1.0 MR Assistant III, and .25 Social Worker II. (SB 1115, Section 10.23)

-15.25

43 Child and Family State Facilities

(\$129,135) R

Reduces funding for state-operated child and family facilities by eliminating 1.0 filled position and reducing building repairs, travel, staff development, student temporary wages, and salary reserve. Eliminates 1.0 Program Director of Adolescent Re-education. (SB 1115, Section 10.23)

-1.00

Overview: 2002 Session Fiscal and Budgetary Actions

FY 02-03

44 Institutional Receipts	(\$1,000,000)	R
Reduces state appropriations by increasing the budget for institutional receipts.		
45 Central Office Administration	(\$835,628)	R
Reduces state appropriations to Central Office Administration by 5% and eliminates 1.0 filled position. Eliminates 1.0 Physician Director III-B. (SB 1115, Section 10.23)		
	-1.00	
46 Area Mental Health Programs	(\$3,000,000)	R
Reduces State appropriations to area mental health programs.		
47 Various Contracts	(\$419,674)	R
Eliminates state appropriations for the following contracts:		
National Alliance for the Mentally Ill	\$ 20,000	
Association for Persons in Supported Employment	\$ 39,900	
Mental Health Association Respite Training	\$ 120,000	
NCSU-CUACS Technical Assistance	\$ 101,350	
Reduces State Appropriations for the following contracts:		
UNC Student Stipends	\$ 22,000	
Housing Works, Inc.	\$ 30,000	
UNC CHDD Training Institute	\$ 86,424	
48 Patient Advocates in State Psychiatric Hospitals	(\$295,229)	R
Reduces expenditures for patient advocacy in state-operated psychiatric hospitals by 25% Reduction eliminates 5.0 patient advocates. (SB 1115, Section 10.31A)		
	-5.00	
49 Patient Advocates in Mental Retardation Centers	(\$96,947)	R
Reduces expenditures for patient advocacy in state-operated mental retardation centers by 25% Reduction eliminates 6.0 patient advocates. (SB 1115, Section 10.31A)		
	-6.00	
50 Autism Funds	\$280,000	NR
Provides funds for the operation of Residential Services Inc. to provide residential services to autistic children.		
51 Housing Support for the Mentally Ill	\$500,000	NR
Provides funds to support expansion of housing support and placements for the mentally ill.		
52 Residential Services for Women with Children	\$1,000,000	NR
Provides funding for nine therapeutic homes programs for women with substance abuse or dependency diagnosis. Participating women reside in the home for 12 months to be followed by six months of outpatient services.		

Division of Public Health

53 Prescription Drug Access Project	(\$200,000)	R
Eliminates funding for the Prescription Drug Access Project.		
54 Office of Minority Health	(\$24,000)	R
Reduces the operating costs in the Office of Minority Health.		
55 Immunization Branch Operating Funds	(\$66,659)	R
Reduces state appropriations for travel, telecommunication, property insurance and employee education and replaces these funds with the federal immunization grant funds.		
56 Contracts and Grants-in-Aid	(\$229,237)	R
Eliminates the following contracts:		
UNC-CH - Cardiovascular Health Program Evaluation Initiative - (\$27,235)		
Eliminates a contract and reduces the grant-in-aid to the Poe Center - (\$51,500)		
Greenway Project - (\$6,425)		
Training and Research - (\$15,000)		
Reduces state appropriations for the contract with UNC for PHN - (\$129,077)		
57 HIV/STD Care Contracts	(\$38,845)	R
Reduces state appropriations and replaces these funds with the Ryan White Title II grant for contracts with community-based organizations.		
58 Sickle Cell Program	(\$85,900)	R
Reduces state appropriations and replaces these funds with increased federal financial participation through Medicaid for the Sickle Cell community-based organizations.		
59 Oral Health Section Positions	(\$247,000)	R
Eliminates 3.0 vacant positions. Eliminated positions include: 1.0 Dentist, 1.0 Dental Hygienist, and 1.0 Administrative Assistant.		
	-3.00	
60 Regional Dentists' Offices	(\$11,107)	R
Eliminates funding for the regional dentists' offices in Raleigh and Fayetteville and eliminates the operating expenses.		
61 Aid-to-County	(\$1,000,000)	R
Reduces the Aid-to-County funding by an amount that has historically been reverted at fiscal year's end.		

Overview: 2002 Session Fiscal and Budgetary Actions

FY 02-03

62 Children With Special Needs Program	(\$110,000)	R
Reduces state appropriations for the Children With Special Needs program; the program historically has had unencumbered funds remaining in the account at the end of the fiscal year.		
63 Operating Expenses	(\$52,180)	R
Reduces state appropriations for honorariums, conference registrations, educational supplies, office furniture and printing/binding for the Children and Youth Branch of Women's and Children's Health Section.		
64 State Laboratory - Newborn Screening	(\$766,667)	R
Reduces state appropriations for newborn screening tests and replaces these funds with a \$10 fee to be charged to hospitals and providers for each specimen submitted for testing. The effective date for this fee is November 1, 2002		
65 Women's Health	(\$321,252)	R
Reduces state appropriations and replaces the funds with Medicaid federal financial participation for the Perinatal Outreach and Education Training Program (POET).		
66 State Center For Health Statistics	(\$146,190)	R
Replaces state appropriations with historically over-realized receipts from the National Center for Health Statistics.		
67 Equipment	(\$27,835)	R
Eliminates funding for equipment in the Oral Health Section.		
68 Positions in Women's and Children's Health Section	(\$130,888)	R
Eliminates 3.45 vacant positions: 0.75 Audiologist, 0.70 Processing Assistant, 1.0 Public Health Program Consultant I, and 1.0 Social Research Assistant.		-3.45
69 Position in Budget Section	(\$50,984)	R
Eliminates 1.0 filled position in the Financial Management and Support Services Section. Eliminates 1.0 Administration Officer II position.		-1.00
70 Oral Health	(\$632,107)	R
Reduces state appropriations for the Dental Hygienist positions and replaces these funds with Medicaid receipts.		
71 Administrative Activities	(\$400,000)	R
Reduces state appropriations for non-direct service activities within Women's and Children's Health Section and replaces these funds with Medicaid receipts.		
72 Hepatitis B Vaccine School Site Initiative	(\$604,800)	R
Reduces state appropriations for the Hepatitis B vaccine and replaces the funds with federal vaccine funds.		

73 Contracts	(\$364,700)	R
Terminates contracts with LabCorp for CD4 testing and dysplasia clinics for cancer diagnostic and treatment services.		
74 Community Care Coordination	(\$129,355)	R
Reduces state appropriations and replaces the funds with Medicaid receipts for the community care coordinator contracts.		
75 Prescription Drug Assistance Program	(\$500,000)	R
Eliminates funding for the Prescription Drug Assistance Program for the elderly. (SB 1115, Section 10.49)		
76 Developmental Evaluation Centers	(\$2,076,426)	R
Reduces funding for the 18 Developmental Evaluation Centers. (SB 1115, Section 10.53)		
77 Contracts - Women's and Children's Health Section	(\$1,142,913)	R
Reduces contracts for services to support direct care. The following contracts are reduced by the corresponding amounts:		
Prevent Blindness - (\$41,900)		
UNC-CH Center for Public Health Practice - (\$18,750)		
Duke University Medical School - (\$59,674)		
UNC-CH (Alpha-fetal protein screening) - (\$20,000)		
Wake Forest (Alpha-fetal protein screening) - (\$20,000)		
Carolinas HealthCare System (Services for children with hemophilia or other coagulation disorders) - (\$200)		
Duke University (Services for children with hemophilia or other coagulation disorders) - (\$600)		
ECU (Services for children with hemophilia or other coagulation disorders) - (\$600)		
UNC-CH (Services for children with hemophilia or other coagulation disorders) - (\$7,300)		
Wake Forest University (Services for children with hemophilia or other coagulation disorders) - (\$1,300)		
Moses Cone - (\$4,600)		
Duke University Medical Center - (\$33,697)		
Wake Forest University (Assessment, monitoring and treatment of children 0-21 with orthopedic conditions) - (\$11,425)		
Western Carolina University - (\$40,000)		
Assistive Resource Centers (15% reduction for each) - (\$112,346)		
In-hospital identification of children with special health care needs - 10 contracts - (\$69,597)		
Center for Development and Learning UNC-CH - (\$485,646)		
Dept. of Agriculture - (\$600)		
NC Baptist Hospital - (\$4,800)		
Central Carolina - (\$50,000)		
UNC-CH - (\$87,708)		
Young Women's Outreach - (\$18,990)		
Albemarle Start Start - (\$30,680)		
Adolescent Pregnancy Prevention Coalition of NC - (\$22,500)		

78 Public Health Consultants	(\$217,960)	R
Eliminates 5.0 vacant positions: 2.0 Office Assistant III's, 1.0 Social Work Consultant, 1.0 Nurse Consultant, 1.0 Pharmacist Specialist and operating costs.	-5.00	
79 Governor's Council on Physical Fitness	(\$25,000)	R
Eliminates funding for the Governor's Council on Physical Fitness.		
80 Vital Records Fee Increase	(\$443,765)	R
Increases vital records transaction fees to \$15.00. The effective date for this fee is November 1, 2002. (SB 1115, Section 29A)		
81 Healthy Start Foundation	\$250,000	NR
Provides funding for Healthy Start to improve access to prenatal care and reduce poor birth outcomes for families in North Carolina.		
82 Healthy Carolinians	\$750,000	NR
Provides funding for Healthy Carolinians task forces across the State.		
83 Asthma Education Program	\$100,000	NR
Provides funding to support asthma management, control, surveillance, and education.		
84 Reduce Out-of-Wedlock Births	\$615,000	NR
Provides state appropriations to replace federal funds historically used for family planning services to reduce out-of-wedlock births.		
85 Adolescent Pregnancy Prevention	\$570,000	NR
Provides state appropriations to replace federal funds historically used to support the adolescent pregnancy prevention program administered pursuant to G.S. 130A-131. 15A.		
86 "Strike-Out-Stroke"	\$90,000	NR
Provides funding for "Strike-Out - Stroke".		
87 Osteoporosis Task Force	\$150,000	NR
Provides funding to continue activities of the Osteoporosis Task Force.		
88 Arthritis Prevention Project	\$25,000	NR
Provides grant-in-aid for a private, local project in Mecklenburg County.		
89 Folic Acid Campaign	\$300,000	NR
Provides funding for the state-wide folic acid campaign.		

90 Prevent Blindness

Provides funding for the National Society to Prevent Blindness-NC Affiliate, Inc. for the purpose of maximizing vision screenings of children in child care settings.

\$600,000 NR

Division of Social Services**91 DSS State Administration**

(\$1,399,093) R

Reduces the operating budget for the Central Office.

92 Local DSS Administration

(\$1,000,000) R

Reduces funding for operating budgets for 100 local Departments of Social Services.

93 Carry forward for Electing Counties

(\$600,000) R

Eliminates the ability of 13 Electing Counties to carry forward excess state funds at the end of state fiscal year. (SB 1115, Section 10.31)

94 State/County Special Assistance

(\$2,345,157) R

Maintains the current rate of \$1,091 for the 02-03 fiscal year. Maintaining this rate will result in a cost-savings of an equal amount for local Departments of Social Services. (SB 1115, Section 10.36)

95 Families for Kids

(\$1,200,000) R

Eliminates funding for 16 local Departments of Social Services. Historically, these funds have been used to assist counties improving their child welfare services and reduce the amount of time children remain in the foster care system

96 Various Contracts

(\$892,743) R

Eliminates funding for the following contracts in the Child Support Section:

Child Support Enforcement Training - \$641,893
Child Support Enforcement Help Desk - \$229,840
Ohio State Treasurer - \$ 21,010

97 Child Support Backlog

(\$1,500,000) R

Eliminates funding intended to address Child Support Enforcement backlogs in urban counties. The Division will address this problem by improving current operating procedures within existing resources. (SB 1115, Section 10.35)

98 Intensive Family Preservation Services

(\$500,000) R

Reduces state funding for a Program involving 53 providers focused on preventing out-of-home placement for high-risk children. Services will be maintained with additional federal funds.

Overview: 2002 Session Fiscal and Budgetary Actions

FY 02-03

99 Family Resource Centers	(\$865,000)	R
Reduces funding for Family Resource Centers in 49 counties. Services will be maintained with additional federal funds.		
100 CCPT Grant	(\$250,000)	R
Eliminates funding for the Community Child Protection Team Grant (CCPT). Historically, these funds have been distributed on a competitive basis to counties demonstrating innovative approaches to improving their child protection services.		
101 Resident Evaluation Services	(\$1,062,037)	R
Eliminates funding for Resident Evaluation Services. The automated instrument required to implement this new initiative is incomplete and funds to implement the program statewide are not available. (SB 1115, Section 10.39)		
102 Position Eliminations	(\$780,641)	R
Eliminates 31 vacant and 13 filled positions including: 2.0 SS Program Administrator III's, 2.0 Staff Development Coordinators, 1.0 HS Plan/Evaluator II, 5.0 Office Assistant IV's, 1.0 SS Program Administrator I, 1.0 SS Program Consultant II, 1.0 Info. System Liaison I, 3.0 SS Program Manager II's, 7.0 SS Reg. Program Reps., 1.0 Accounting Tech II, 2.0 Accounting Clerk IV's, 1.0 Computer System Admin. I, 1.0 Lead Child Support Agent, 8.0 Office Assistant III's, 4.0 Process Assistant III's, 2.0 Process Assistant V's, and 2.0 Process Assistant IV's.		
	-44.00	
103 State Maternity Home Funds	(\$438,354)	R
Reduces state appropriations for maternity homes. Temporary Assistance for Needy Families Block Grant funds will replace this reduction. (SB 1115, Section 5.1.(u))		
104 Welfare Automation Fund	(\$5,400,000)	NR
Reduces state funding used for various automation projects in the Department of Health and Human Services.		
105 Boys and Girls Clubs	\$550,000	NR
Provides state appropriations to replace federal funding historically used to support Boys and Girls Clubs across the state. Due to a reduction in the Temporary Assistance for Needy Families Block Grant, this item could not be funded through the block grant for the 02-03 fiscal year. (SB 1115, Section 10.41A)		
106 Food Banks	\$1,000,000	NR
Provides funding to be equally distributed to the regional network of food banks in North Carolina.		

107 Special Children Adoption Fund

Provides state appropriations to replace federal funding historically provided to adoption agencies in order to increase the number of children adopted from the foster care system. Due to a reduction in the Temporary Assistance for Needy Families Block Grant, this item could not be funded through the block grant for the 02-03 fiscal year. (SB 1115, Section 10.41)

\$2,000,000 NR

108 Funds for Work Central Career Advancement Center

Provides state appropriations for a Call Center in Edgecombe County (serving seven counties) historically funded through the Temporary Assistance for Needy Families Block Grant. Due to a reduction in the block grant, federal funds are not available for this project for the 02-03 fiscal year.

\$500,000 NR

Division of Vocational Rehabilitation**109 Direct VR Client Services**

(\$1,922,522) R

Reduces funding for vocational rehabilitation client services by implementing more strict case policies and "order of selection" policies that allow a waiting list for the least disabled clients.

110 Administrative Operational Costs

(\$400,000) R

Reduces administrative costs by reducing expenditures for supplies, travel, and equipment.

111 Position Eliminations

(\$857,583) R

Eliminates 23.0 vacant and 2.0 filled positions: 1.0 Adj. Services Instructor, 1.0 Administrative Assistant I, 1.0 Administrative Officer III, 1.0 Computer Technical Support III, 7.5 Office Assistant III's, 1.0 Office Assistant IV, .5 Processing Assistant III, 1.0 Program Assistant V, 4.0 Rehab. Case Assistant, 2.0 Rehab. Case Supervisors, 1.0 Rehab. Education Specialist, 1.0 Stock Clerk II, 1.0 Vocational Evaluator II, 1.0 Vocational Evaluation Specialist, and 1.0 Community Production Coordinator.

-25.00

(Note: Section 84 of Senate Bill 1217, 2002 Technical Corrections, modified this reduction. The description reflects the modification. The Conference Committee Report for SB 1115 included 24.0 vacant positions, 8.0 Office Assistance III's and 1.0 Processing Assistant III. SB 1217 made the following changes: the 24.0 vacant positions became 23.0 vacant positions; the 8.0 Office Assistant III's became 7.5 Office Assistant III's, and the 1.0 Processing Assistant became .5 Processing Assistant III.)

112 Universal Design Contract

(\$50,000) R

Reduces Universal Design contract with NCSU's Center for Universal Design.

Divisions of Services for the Blind and Services for Deaf & Hard of Hearing

113 Special Assistance for the Blind	(\$158,000)	R
Reduces excess funding in the Special Assistance for the Blind program		
114 Medical Eye Care and Independent Living Services	(\$64,000)	R
Reduces funding for Medical Eye Care and Independent Living Services by eliminating 1.0 Medical Eye Care Consultant position and reducing funding for medical/scientific equipment and educational supplies.		
	-1.00	
115 Cost Allocation to Telecommunications Access of NC	(\$21,013)	R
Reduces state appropriations to the Division of Services for the Deaf and Hard of Hearing by increasing receipts from Telecommunication Access of NC through cost allocation.		
116 Operating Expenses	(\$200,000)	R
Maintains expenditures for SFY 2003 for operating expenses at the SFY 2002 expenditure level.		
117 Medical Eye Care Program	(\$200,000)	R
Reduces excess funding in the Medical Eye Care Program.		

NC Health Choice

118 Dispensing Fee Reduction	(\$168,964)	R
Reduces premiums for the NC Health Choice program by reducing the dispensing fee paid to pharmacists from \$6.00 per prescription to \$4.00 for brand name drugs and \$5.60 for generic drugs. This is the same dispensing fee as paid by the Medicaid Program. (SB 1115, Section 10.20(a))		
119 NC Health Choice Expansion	\$7,740,000	NR
Provides funding for increasing the enrollment of children in the NC Health Choice Program		

Office of Education Services

120 Capital Improvement Reserves	(\$701,665)	R
Eliminates appropriation for capital improvement reserves.		
121 Position Elimination - Central Administration	(\$69,476)	R
Eliminates 1.0 filled position in the central administration of the Office of Educational Services: 1.0 Business Officer II.		
	-1.00	

122 Central Preschool Program	(\$361,164)	R
Eliminates 6.75 vacant and 2.0 filled preschool staff positions and operating expenses for the Central Preschool Program: 5.0 Teachers, 1.0 Lead Teacher, 1.0 Processing Assistant IV, 1.0 Processing Assistant III, and .75 EDA II.	-8.75	
(Note: Section 84 of Senate Bill 1217, 2002 Technical Corrections, modified this reduction. The description reflects the modification. The Conference Committee Report for SB 1115 included 7.0 vacant positions and 1.0 EDA II. SB 1217 changed the 7.0 vacant positions to 6.75 vacant positions and changed the 1.0 EDA II to .75 EDA II.)		
123 Maintenance Contract	(\$1,127)	R
Reduces a contract for maintenance at the Governor Morehead School.		
124 Positions at ENCSD	(\$746,700)	R
Eliminates 26.0 vacant and 1.0 filled positions at the Eastern North Carolina School for the Deaf: 1.0 Cook I, 4.25 EDA II's, 3.0 Food Service Assistant I's, .75 Occupational Therapist II, 1.0 Processing Assistant IV, 1.0 Resident Life Attendant, 9.0 Resident Life Trainers, 5.0 Teachers, 1.0 Volunteer Service Coordinator and 1.0 Behavior Program Specialist II.	-27.00	
125 Operating Budget	(\$200,143)	R
Reduces operating budgets at the residential schools. This reduction targets equipment and supplies.		
126 Positions at GMS	(\$319,691)	R
Eliminates 11.0 vacant positions at the Governor Morehead School: 1.0 EDA II, 1.0 General Utility Worker, 1.0 Housekeeper, 1.0 Librarian, 2.0 Resident Life Attendants, 5.0 Resident Life Trainers.	-11.00	
127 Governor Morehead School Preschool Program	(\$680,616)	R
Eliminates 8.75 vacant and 1.0 filled positions and reduces operating expenses for the Governor Morehead School Preschool Program 4.0 Teachers, 1.0 Lead Teacher, 2.0 Social Workers, 1.75 EDA's and 1.0 Computer Support Technician I.	-9.75	
128 Auditory Learning Program Contract	(\$150,000)	R
Eliminates funding for the contract with the Auditory Learning Program		
129 IEP/IFSP Personal Service Contracts	(\$100,000)	R
Reduces personal service contracts for activities prescribed in Individual Educational Plans and Individual Family Services Plans.		

130 Central School Maintenance Funding	(\$381,632)	R
Eliminates the Central School for the Deaf's maintenance and operating budget. Eliminates the following positions: 1.0 Maintenance Mechanic IV, 1.0 Facility Maintenance Supervisor III, and 2.0 Maintenance Mechanic II's.	-4.00	
131 Positions at WNCSD	(\$392,289)	R
Abolishes 11.75 vacant and 1.0 filled positions and reduces operating expenses at the Western North Carolina School for the Deaf: .75 Office Assistant IV, 1.0 Processing Assistant IV, 1.0 Staff Development Specialist II, 1.0 Boiler Operator I, 1.0 Maintenance Mechanic 1, 1.0 Maintenance Mechanic II, 3.0 Teachers, 1.0 Resident Life Attendant, 2.0 Resident Life Trainers and 1.0 Behavior Program Specialist I.	-12.75	
(Note: Section 84 of Senate Bill 1217, 2002 Technical Corrections, modified this reduction. The description reflects the modification. The Conference Committee Report for SB 1217 included 14.75 vacant positions, 1.0 Computer Support Tech II, and 5.0 Teachers. SB 1217 made the following changes: 14.75 vacant positions became 11.75 vacant positions, the 1.0 Computer Support Tech II was deleted, and the 5.0 Teachers became 3.0 Teachers.)		
Office of the Secretary		
132 Aid to Clinic Construction	(\$75,000)	R
Reduces funding for clinic construction.		
133 Loan Repayment Incentive Funds	(\$600,000)	R
Reduces funding for Loan Repayment Incentive Funds program. (SB 1115, Section 10.5)		
134 Community Primary Care Grant Program	(\$118,400)	R
Eliminates funding for the Community Primary Care Grant Program in the Office of Research, Demonstration and Rural Health Development.		
135 Rural Health Clinic Operational Funding	(\$150,000)	R
Reduces rural health clinic operating funds.		
136 Administrative Costs	(\$48,109)	R
Reduces funding for administrative costs in the Office of Research, Demonstration, and Rural Health Development.		
137 Position Elimination Reserve	(\$4,122,467)	R
Reduces funding by eliminating vacant or filled positions, reducing layers of management, and reducing related operating expenses throughout the Department of Health and Human Services.		

Overview: 2002 Session Fiscal and Budgetary Actions

FY 02-03

138 IT Contractual Services	(\$2,402,718)	R
Reduces the SFY 2003 Certified Budget for information technology contractual services by 15%		
139 Position Eliminations - DIRM	(\$410,250)	R
Eliminates 2.0 filled and 11.0 vacant positions in the Division of Information Management: 3.0 Application Analyst Programmer I's, 3.0 Application Programmer II's, 1.0 Application Programmer I, 1.0 Information Processing Assistant I, 1.0 Processing Assistant IV, 2.0 Telecommunications Equipment Tech. III's, 1.0 System Program Manager I, and 1.0 Applications Systems Manager I.		
	-13.00	
140 NC Child Advocacy Institute Grant-In-Aid	(\$25,000)	R
Reduces the grant-in-aid to the NC Child Advocacy Institute. (SB 1115, Section 10.7)		
141 Position Eliminations - Controller's Office	(\$53,000)	R
Eliminates 2 vacant positions in the DHHS Controller Office. Eliminates 1.0 Accounting Clerk IV and 1.0 EBT Coordinator.		
	-2.00	
142 Print Shop Elimination	(\$46,657)	R
Eliminates the Print Shop in the Office of Public Affairs. DHHS shall contract for printing services with the Department of Corrections.		
	-6.00	
143 Position Eliminations - Central Administration	(\$237,471)	R
Eliminates three filled positions: 1.0 Business Officer III, 1.0 Program Development Coordinator, and 1.0 Special Assistant for Intervention Services.		
	-3.00	
144 More At Four	\$28,065,300	R
Increases funding for the "More At Four" prekindergarten program for at-risk preschoolers. \$250,000 shall be transferred to the Division of Child Development to fund the following positions: 1.0 filled and 2.0 vacant Child Program Specialists and 1.0 vacant Administrative Assistant I. (SB 1115, Section 10.57)		

Budget Changes	(\$30,523,931)	R
	(\$17,127,538)	NR
Total Position Changes	-288.45	
Revised Total Budget	\$3,596,428,649	

Special Provisions **SB 1115**

Department: Health and Human Services

Section: 2.2(b)

Title: General Fund Availability Statement

Summary: Reduces Budget Code 24470, Fund Code 2101 (Facility Finance Act) by \$95,000.

Section: 5.1

Title: DHHS Block Grants

Summary: Appropriates federal block grant funds for the nine grants administered by DHHS. Maintains many programs and allocations at the FY 01/02 funding levels. Highlights are as follows:

Temporary Assistance for Needy Families (TANF):

Due to a substantial decrease in the TANF Block Grant for FY 02/03, many programs were reduced or eliminated. Changes are as follows:

1. Reduced Transfer to Child Care Development Fund - Child Care Subsidies. \$72,812,189 for FY 02/03. (FY 01/02 funding level was \$76,675,000)
2. Reduced DMHDDSAS - Substance Abuse Services. \$400,000 for FY 02/03. (FY 01/02 funding level was \$3,500,000)
3. Eliminated Reduction of Out of Wedlock Births funding. (\$615,000 in state funds appropriated for FY 02/03)
4. Eliminated WCH Teen Pregnancy Prevention funds. (\$570,000 in state funds appropriated for FY 02/03)
5. Eliminated funds for Domestic Violence Awareness.
6. Eliminated funds for Intensive Family Preservation.
7. Eliminated funds for Boys/Girls Clubs for WF Children (\$550,000 in state funds appropriated for FY 02/03)
8. Reduced Domestic Violence Services for WF Families. \$900,000 for FY 02/03. (FY 01/02 funding level was \$1,800,000)
9. Reduced After School Program for At-Risk Children. \$1,425,000 for FY 02/03. (FY 01/02 funding level was \$2,700,000)
10. Eliminated Special Children's Adoption Fund. (\$2,000,000 in state funds appropriated for FY 02/03)

Substance Abuse Prevention and Treatment Block Grant:

Due to an increase in availability for the Substance Abuse Block Grant in FY 02/03 and a decrease in available funds from the TANF Block Grant, funding to various programs were changed or eliminated. Changes are as follows:

1. Increased Adult Substance Abuse Services.
\$15,401,711 for FY 02/03. (FY 01/02 funding level was \$14,501,711)
2. Increased Substance Abuse Services for Pregnant Women and Women with Dependent Children.
\$8,069,524 for FY 02/03. (FY 01/02 funding level was \$6,007,303)
3. Reduced Services to IV Drug Abusers. The difference is transferred to Division of Public Health for services to IV Drug Abusers.
\$4,616,378 for FY 02/03. (FY 01/02 funding level was \$5,209,934)
4. Increased Substance Abuse Services for Children.
\$7,740,611 for FY 02/03. (FY 01/02 funding level was \$6,839,190)
5. Increased Juvenile Services - Family Focus.
\$851,156 for FY 02/03. (FY 01/02 funding level was \$774,414)
6. Increased Administration for Household Survey.
\$2,596,307 for FY 02/03. (FY 01/02 funding level was \$2,423,049)
7. Establishes transfer to Division of Public Health for Maternal Health.
\$37,779 for FY 02/03. (FY 01/02 funding level was \$0)
8. Eliminates funding for the Child Residential Treatment Services Program. Funding is reallocated to Substance Abuse Services for Children to offset reductions in the TANF Block Grant.
(FY 01/02 funding level was \$700,000)

Section: 10.1

Title: **Information Technology Project Contracts**

Summary: Extends the effective date of Section 21.17 of S.L. 2001-424 from June 30, 2003 to June 30, 2005 and clarifies which agencies in DHHS will be involved in the implementation of HIPPA.

Section: 10.2

Title: **Administrative Consolidation of Divisions of Services for the Deaf and Hard of Hearing, Services for the Blind, and Vocational Rehabilitation Services**

Summary: Authorizes DHHS to continue consolidating the administrative functions of the three divisions and reducing the number of cities where there are more than two district offices. Report due June 1, 2003.

Section: 10.3

Title: **Staffing Requirements in Long-Term Care Facilities**

Summary: Requires the Office of Long-Term Care in DHHS to review staffing requirements in Adult Day Care Programs and Adult Day Health Care Programs in North Carolina. Specifies that this report is to be developed by the Office of Long-Term Care or by an independent contractor. Report is to address the variation of the staffing requirements in long-term care facilities and in Adult Day Care/Adult Day Health Care facilities. Report due December 1, 2002.

(Note: Section 73 of Senate Bill 1217, Technical Corrections Recommended by the General Statutes Commission, SL 2002-126 amends Section 10.3(b) to change the reporting date to February 15, 2003.)

Section: 10.4

Title: **Report on Services Provided to Older Adults**

Summary: Directs the Office of Long-Term Care in DHHS to provide a report that includes information on all of the State agencies providing services to Older Adults in North Carolina. Specific information in the required report includes:

- (1) Identification of all State agencies that provide services to older adults age 60 and older.
- (2) All resources available from all sources including federal, state and local funds and personnel, for providing services to the population.
- (3) Plans for reducing administration through the consolidation of functions throughout Divisions of DHHS.

Report due February 1, 2002.

Section: 10.5

Title: **Rural Health Loan Repayment Incentive Program**

Summary: Requires DHHS to conduct an assessment of the Rural Health Loan Repayment Incentive Program to consider whether the program should continue and identify ways to recruit additional providers to rural areas within existing funds. Report due December 1, 2002.

Section: 10.6

Title: **Access to Pharmaceutical Company Prescription Drug Programs**

Summary: Changes Section 21.6(a) of S.L. 2001-424 to remove authorization for DHHS to spend \$200,000 for the Prescription Drug Access Program in FY 2002-03. Health and Wellness Trust Fund plans to finance this program in the future.

Section: 10.7

Title: **Use of Funds for the Child Advocacy Institute**

Summary: Specifies that the grant-in-aid to the Child Advocacy Institute can only be used for the administration of the Institute and cannot be used for lobbying or contributions to other nongovernmental entities.

Section: 10.8

Title: **Consolidation of Maintenance Activities**

Summary: Directs the Department to plan for the consolidation of maintenance activities at the NC School for the Deaf in Morganton, The Western Carolina Center, and Broughton Hospital. Directs the Department to identify other facilities of close proximity that could benefit from such consolidation. Report due December 1, 2002.

Section: 10.10B

Title: **Weatherization Assistance**

Summary: Authorizes DHHS to administer the Weatherization Assistance Program for Low-Income Families and the Heating/Air Repair and Replacement Program. DHHS has the funding for these programs, but has not officially been designated as the department to run these programs.

Section: 10.10C

Title: **Effective Date of Long-Term Care Criminal Check for Employment Posi**

Summary: Delays the requirement that nursing homes conduct national criminal records checks for nondirect care positions until January 1, 2004. Delays the requirement that adult care homes conduct national criminal records checks for all staff positions until January 1, 2004. The delays are necessary because changes in federal law are needed to allow the required national criminal record checks to occur.

Section: 10.10D

Title: **Transfer the North Carolina Council on the Holocaust to Department of Public Instruction**

Summary: Transfers the North Carolina Council on the Holocaust from DHHS to the Department of Public Instruction. Uses a Type II transfer as defined in G.S. 143A-6.

Section: 10.10E

Title: **NonMedicaid Reimbursement Changes**

Summary: Modifies boilerplate provision to allow adults 55 years or older with incomes up to 200% of the federal poverty level to qualify for services through the Division of Services for the Blind, Independent Living Rehab Program. This change is a federal requirement and does not increase State requirements.

Section: 10.11

Title: **Medicaid Program**

Summary: Establishes eligibility requirements for the Medicaid Program. Establishes the services provided and the allowable payment levels for providers under the Medicaid Program. The following changes were made in SB 1115:

Requires nursing homes to place Medicare recipients into Medicare certified nursing home beds.

Requires Medicaid providers to purchase a \$100,000 performance bond or other financial instrument in order to receive payment from the Medicaid Program. DHHS may limit or waive this requirement for one or more classes of enrolled providers.

Requires parental income to be counted in determining eligibility for a pregnant minor if the minor is residing in the home.

Allows DMA to identify funds for implementing a new contract for a Medicaid management information system.

Requires DMA to use the latest audited cost reporting data available, supplemented by additional financial information available to DMA when establishing rates or changing the reimbursement methodology for hospital services.

Requires DMA to apply federal transfer of assets policies to real property excluded as tenancy-in-common, or as nonhomesite property made income producing under Title XIX, Section 1902(r)(2) of the Social Security Act. Effective no earlier than November 1, 2002. (Note: Section 59 of Senate Bill 1217, 2002 Technical Corrections, amends this section to clarify that transfer of asset policies apply to noninstitutionalized individuals or spouse of such individual as defined in Title XIX, Section 1917(c) as described in an approved Title XIX State Plan. Requires notice be given before new policies go into effect.)

Includes personal care services under the definition of "medical assistance" in G.S. 108A-

70.5(b) - the Medicaid Estate Recovery statutes.

Requires DMA to employ procedures to mitigate hardship to Medicaid enrollees when implementing the Supplemental Security Income (SSI) method for considering equity value of income producing property. (Note: Section 74 of Senate Bill 1217, 2002 Technical Corrections, amends this section to clarify that the Department shall continue to exclude the equity value of income-producing life estate and tenancy-in-common property when determining resource eligibility for Medicaid.)

Section: 10.12

Title: **Carolina ACCESS Program Improvements**

Summary: Directs DHHS to monitor the \$9.4 million cost saving activities resulting from the expansion from the Carolina ACCESS II and III programs. Directs DHHS to implement a process for the assessment and review of the cost-effectiveness of the Carolina ACCESS II and III programs and confirm the actual savings realized from the case management strategies. Quarterly reports due beginning December 1, 2002.

Section: 10.13

Title: **Repeal Circumcision Funds**

Summary: Repeals SFY 2002-03 funding for the provision of optional circumcision procedures for newborns eligible for Medicaid. Funding for optional circumcision procedures under the Medicaid program has been eliminated.

Section: 10.14

Title: **Medicaid Case Management Services**

Summary: Directs DHHS to reduce Medicaid Program expenditures for case management services for adults and children. Report due November 1, 2002.

Section: 10.15

Title: **Federal Waivers to Assist in Medicaid Cost Containment**

Summary: Authorizes DHHS to seek federal waivers to assist in containing the cost of the NC Medicaid Program. Report due February 1, 2003.

Section: 10.16

Title: **Community Alternatives Programs**

Summary: Requires DHHS to support the maximum number of persons through the CAP programs within existing funding for these programs. Allows a person who entered a nursing facility on or before June 1, 2002 to receive CAP-DA services even if the availability of CAP-DA services has been suspended. Authorizes the Institute of Medicine to study the CAP-DA Program and report its findings and recommendations to the 2003 General Assembly upon its convening.

Section: 10.17

Title: **Disposition of Disproportionate Share Receipt Change**

Summary: Directs DHHS to deposit Disproportionate Share Hospital receipts with the State Treasurer as nontax revenue.

Section: 10.18

Title: **Medicaid Hospital Payment**

Summary: Directs DHHS to reduce Medicaid payments to hospitals by .5%. Requires DHHS to evaluate all medical payment programs and policies and implement the .5% reduction in medical payments to hospitals that have the least impact on financially vulnerable hospitals. Report due November 1, 2002.

Section: 10.19

Title: **Medicaid Program Management**

Summary: Authorizes DHHS to adopt temporary rules to clarify recipient rights related to the pharmacy management plan.

Prohibits DHHS from requiring supplemental rebates from pharmaceutical manufacturers.

(Note: Section 75 of Senate Bill 1217, 2002 Technical Corrections, amends this section to clarify that DHHS cannot request or require supplemental rebates from pharmaceutical manufacturers.)

Section: 10.19A

Title: **Long-Term Care Reimbursement Methodology**

Summary: Provides direction to DHHS on how to establish and implement a new long-term care reimbursement methodology. Report due January 1, 2003.

Section: 10.19C

Title: **Increases in Federal Medicaid Funds**

Summary: Directs that increases in federal Medicaid reimbursement shall not be used to reduce state appropriations for the Medicaid Program. Authorizes DHHS to reinstate eligibility policy changes enacted by the General Assembly in the budget bill if the receipt of additional federal funds is contingent on maintaining eligibility policies and the increased federal funds are greater than the anticipated savings in State funds from the enacted policy changes.

Section: 10.19D

Title: **Medicaid Reserve Fund Transfer**

Summary: Allocates \$43.7million for SFY 2002-03 from the Medicaid Reserve Fund to the Medicaid Program, notwithstanding the provisions of G.S. 143-23.2(b) that these funds shall not be used to reduce State General Fund revenues to the Medicaid Program.

Section: 10.20

Title: **NC Health Choice**

Summary: Modifies the NC Health Choice statutes to decrease the dispensing fee for prescription drugs from \$6.00 per prescription to \$4.00 per brand name drug dispensed and \$5.60 per generic drug dispensed. Establishes the intent of the General Assembly to consider recommendations by the Institute of Medicine in determining whether Medicaid rates or other rates should apply to program services.

Section: 10.21

Title: **NC Health Choice State Plan Technical Amendments**

Summary: Authorizes DHHS to make technical changes to the NC Health Choice State Plan as required under federal law.

Section: 10.23

Title: **Allocation of Reductions in Funds for Mental Health, Developmental Disabilities, and Substance Abuse Services Programs**

Summary: Directs DMHDDSAS to allocate reductions in central administration with the least adverse impact to direct services, mental health reform, and the Division's ability to conduct program oversight.

Requires DMHDDSAS to allocate reductions to the state institutions in a manner that allows the Division to proceed with system reform and comply with federal requirements.

Report due November 1, 2002

Section: 10.24

Title: **Substance Abuse Prevention Service**

Summary: Instructs DHHS to create an Office of Substance Abuse Services. Requires the Department to provide only evidence-based prevention services and propose rules for licensure of prevention programs. Report due December 1, 2002.

Section: 10.25

Title: **Private Agency Uniform Cost-Finding Requirement**

Summary: Modifies Section 21.56 of S.L. 2001-424 to allow DHHS to suspend funding if a program fails to complete the uniform cost-finding requirement.

Section: 10.26

Title: **Whitaker School**

Summary: Changes Section 21.61(a) of S.L. 2001-424 to require assessments and service planning alternatives for children waiting to receive services from Whitaker School. Report due January 1, 2003.

Section: 10.27

Title: **Area Mental Health Administrative Costs**

Summary: Alters Section 21.65 of S.L. 2001-424 by allowing DHHS to implement alternative approaches for determining reasonable administrative costs for Local Management Entities.

Section: 10.28

Title: **Mental Retardation Downsizing**

Summary: Modifies Section 21.67 of S.L. 2001-424 by allowing DHHS to transfer mental retardation center positions to outreach activities that assist with transitioning residents to the community.

Changes Section 21.67 of S.L. 2001-424 by permitting DHHS to downsize the centers in accordance with system reform.

Report due January 1, 2003

Section: 10.29

Title: **State Psychiatric Hospital Bed Day Allocation Plan**

Summary: Modifies Section 21.68A of S.L. 2001-424 to clarify that DHHS will develop a plan to allocate "hospital bed days" and not "hospital beds." Report due November 1, 2002.

Section: 10.30

Title: **Extend Consumer Advocacy Program Contingent Upon Funds Appropriated by the 2003 General Assembly**

Summary: Modifies Section 4 of S.L. 2001-437 to extend the language creating the Consumer Advocacy Program through FY 2002-03. This program would become effective pending the appropriation of funds to the program in FY 2002-03

Section: 10.31

Title: **DHHS Coordination of Rules**

Summary: Requires DHHS to coordinate rules and rule-making procedures between the department and the various rule-making commissions within DHHS. Report due November 15, 2002.

Section: 10.31A

Title: **Patient Advocates Positions Organizational Change**

Summary: Requires DHHS to develop a plan for an organizational restructuring of the patient advocates at the state hospitals and the mental retardation centers. The plan will include various alternatives for management of and reporting channels for advocates in the institutions, including a recommendation. None of the alternatives will include having the advocates answer to the institution directors. Report due December 1, 2002.

Section: 10.32

Title: **Special Needs Adoption Incentive Fund Reporting D**

Summary: Changes a reporting date in Section 21,42(d) of S.L. 2001-424 to April 1, 2003. Special Needs Adoption Incentive Funds are used to facilitate the adoption of special needs children by their foster care families by removing the financial barriers associated with the adoption of these children.

Section: 10.33

Title: **Child Welfare Systems Pilots Repo**

Summary: Clarifies language in Section 21.46(a) of S.L. 2001-424 regarding the reporting of child abuse and neglect to also include dependency. Directs DHHS to continue to develop a plan for the implementation of a dual track child welfare system pilot project. Report due April 1, 2003.

Section: 10.34

Title: **Family Resource Centers - Reporting Requirement**

Summary: Changes a reporting date in Section 21,48(e) of S.L. 2001-424 to May 1, 2003.

Section: 10.35

Title: **Eliminate Additional Funds for Child Support Services**

Summary: Modifies Section 21.54A of S.L. 2001-424 to reflect the elimination of \$1,500,000 for FY 2002-2003 intended to address child support caseload backlogs in urban counties.

Section: 10.36

Title: **State/County Special Assistance**

Summary: Maintains the rate for State/County Special Assistance at the FY 2001-2002 level for FY 2002-2003. The rate will remain \$1,091 effective October 1, 2002 and does not allow for an inflationary increase.

Section: 10.37

Title: **Electing County TANF Funds Revert**

Summary: Modifies G.S. 108A-27.11(c) to reflect the elimination of the ability of counties designated as "Electing" in the TANF State Plan to carry forward unspent block grant funds.

Section: 10.38

Title: **Adult Care Home Model for Community-Based Services**

Summary: Changes a reporting date in Section 21.54(b) of S.L. 2001-424 to March 1, 2003. Directs DHHS to develop a model project for delivering community-based mental health, developmental disability, and substance abuse housing and services through adult care homes that have excess capacity.

Section: 10.39

Title: **Adult Care Home Resident Assessment Services Program Repealed**

Summary: Repeals Section 21.35 of S.L. 2001-424 mandating the assessment of prospective adult care home clients by personnel trained in the specific needs of older adults and the disabled.

Section: 10.41

Title: **Special Children Adoption Fund**

Summary: Modifies Section 21.40(b) of S.L. 2001-424 designating that 20% of the total funds available for the facilitation of adoptions be reserved for participating private adoption agencies.

Section: 10.41A

Title: **Boys and Girls Clubs**

Summary: Authorizes DHHS to allocate \$550,000 to Boys and Girls Clubs across the state to fund programs focusing on reducing both school drop-out rates and teen pregnancy rates.

Section: 10.41B

Title: **State/County Special Assistance Transfer of Assets Policy**

Summary: Directs DHHS to apply the Supplemental Security Income (SSI) policy applicable to the transfer of assets and estate recovery to applicants for State/County Special Assistance. Directs DHHS to

review the current policy for family contribution for the cost of care. Report due March 1, 2003.

Section: 10.41C

Title: **Child Support Program Notification Extended**

Summary: Allows DHHS to extend the date that a board of county commissioners can notify the Department of its intent to assume the responsibility of their local Child Support Program to December 1, 2002

Section: 10.44

Title: **Residential Schools Reporting**

Summary: Requires DHHS to report on the activities of the residential schools including budgets, enrollments, and academic status according to the ABC's Program. Report due December 1, 2002.

Section: 10.45

Title: **Heart Disease and Stroke Prevention Task Force**

Summary: Changes Section 21.95 of S.L. 2001-424 to make the task force permanently active. Report due June 30, 2003.

Section: 10.46

Title: **Newborn Hearing Screening Program Report**

Summary: Modifies Section 21.96 of S.L. 2001-424 to require a new report on data from the Newborn Hearing Screening Program. Report due January 1, 2003.

Section: 10.47

Title: **Intensive Home Visiting**

Summary: Changes Section 21.97(b) of S.L. 2001-424 to extend the report date. Requires in-home visitors to collect the data to be reported. Report due April 1, 2003.

Section: 10.48

Title: **AIDS Drug Assistance Program (ADAP)**

Summary: Modifies Section 21.90 (b) of S.L. 2001-424 to maintain eligibility for the AIDS Drug Assistance Program at 125% of the federal poverty level for FY2002-2003.

Requires the DHHS to analyze the program and determine ways to serve more people within existing resources and report on program utilization. Interim report due December 1, 2002 and final report due May 1, 2003.

Section: 10.49

Title: **Prescription Drug Assistance Program**

Summary: Changes Section 21.88 of S.L. 2001-424 to remove authorization for DHHS to spend \$500,000 for the Prescription Drug Assistance Program in FY 2002-03. Health and Wellness Trust Fund plans to finance this program in the future.

Section: 10.52

Title: **Early Intervention Program - Reporting Requirem**

Summary: Requires DHHS to report on the activities of the Early Intervention Program. Report due December 1, 2002.

Section: 10.53

Title: **Developmental Evaluation Centers**

Summary: Directs the reduction of \$2M to be allocated among all eighteen Developmental Evaluation Centers. Requires DHHS to consider prior years' expenditures of the DEC, elimination of vacant positions, and overall needs of the DEC when administering the reductions.

Instructs DHHS to prepare a plan for the future of the DEC's, looking at the overall needs of the state, number of centers needed and the geographical needs. Report due December 1, 2002.

Section: 10.53A

Title: **State Laboratory Cost Analysis**

Summary: Directs DHHS to transfer \$50,000 to Fiscal Research Division in the General Assembly for the purpose of contracting a cost identification and fully allocated cost analysis the State Laboratory. Fiscal Research Division will develop the request for proposals in conjunction with the DHHS. Report due May 1, 2003

Section: 10.55

Title: **Early Childhood Education and Development Initiative Enhancements**

Summary: Directs the NC Partnership for Children, Inc, to develop a policy allocating the reduction of funds for SFY 2002-03 to local partnerships.

Continues the prohibition on local partnerships expending funds on capital and playground equipment during SFY 2002-03.

Prohibits local partnerships from expending State funds on advertising and promotional activities during SFY 2002-03.

Local partnerships must spend at least \$52 million on childcare subsidy to maintain the level of spending required as a match to the Childcare Development Fund Block Grant and the level of maintenance-of-effort for the TANF Block Grant.

Directs the NC Partnership for Children, Inc. to develop guidelines for funding future capital projects, for local partnerships.

Directs that the statewide needs and resource assessment conducted every three years include a statewide assessment of capital needs.

Modifies the definition of administrative costs for local partnerships.

Section: 10.56

Title: **More At Four Program**

Summary: Clarifies reporting requirements for the More At Four Program and requires that the More At Four program conduct a count-by-county needs and resources assessment to determine what additional resources are necessary to meet the needs of at-risk four year olds. Reports due

January 1, 2003 and April 1, 2003.

Transfers \$250,00 to the division of child Development to fund up to four positions and operating expenditures related licensing and regulatory activities.

Section: 10.57

Title: **Child Care Subsidy Rates**

Summary: Directs how DHHS will set child care subsidy rates in counties where there are only a small number of children receiving child care. DHHS may use a statewide or regional market rate in cases where there are few centers in counties and few children receiving child care services.

Section: 10.58

Title: **Repeal Child Care Fraud Provision Due to Federal Repayment Requirements**

Summary: Repeals G.S. 110-108. Requires counties to repay the state when child care fraud has occurred and when the counties are repaid, to place those funds in their own general fund accounts. Conforming change required by federal law.

Special Provisions **SB 1217**

Department: Health and Human Services

Section: 86

Title: **Cherry and Broughton Psychiatric Hospitals**

Summary: Directs DHHS to identify up to \$2,000,000 for the purpose of planning replacement hospitals for Cherry and Broughton Hospitals. The cost of planning will not adversely impact area programs or direct services. The new hospitals are to be located in the Counties of Wayne and Burke.

Section: 91

Title: **Replacement Hospital for Dix and Umstead Hospitals**

Summary: Provides complete authority over educational and research projects conducted by UNC-Chapel Hill within Dix and Umstead Hospitals to UNC-Chapel Hill. DHHS cannot close or alter such programs without cooperation from UNC-Chapel Hill. Directs DHHS to consult with UNC-Chapel Hill regarding programmatic, operational, and facility planning for a replacement hospital for Dix and Umstead Hospitals.

**NATURAL
&
ECONOMIC RESOURCES**

Overview: 2002 Session Fiscal and Budgetary Actions

Agriculture and Consumer Services

GENERAL FUND

FY 02-03

Total Budget Approved 2001 Session

\$55,268,040

Budget Changes

Administration/Public Affairs

1 Eliminate Vacant Position	(\$85,871)	R
Eliminate vacant Deputy Commissioner position in Administration.	-1.00	
2 Eliminate Vacant Position	(\$28,420)	R
Eliminate vacant Processing Assistant III in Human Resources.	-1.00	
3 Eliminate Vacant Position	(\$37,674)	R
Eliminate vacant Accounting Clerk IV in the Budget & Finance Section.	-1.00	
4 Reduce Operating Support	(\$36,000)	R
Reduce operating line items.		
Computer Equipment (\$35,000)		
Travel (\$ 1,000)		
5 Reduce Operating Support	(\$50,000)	R
Reduce postage & printing and binding line items in the Public Affairs budget.		
6 Reduce Reserve	(\$85,143)	R
Reduce gas and natural gas reserve line item		
7 Reduce Reserve	(\$100,000)	R
Reduce reserve for laboratory equipment.		
8 Eliminate Education Funds	(\$100,000)	R
Eliminate funds to educate the public on turf grass research.		
9 Reduce Funding	(\$32,750)	R
Reduce funding for Ag in the Classroom Program		
10 Transfer Capital Funds to Operating Budget	(\$148,729)	NR
Transfer unexpended balance of capital appropriation for swine facility at Cherry Farm to operating budget as partial off-set to appropriation for Farm and Preservation Trust.		

11 Farmland Preservation Trust Fund

Provide funds for the Farmland Preservation Trust Fund.(S.L. 2002-126, Section 11.6).

\$200,000 NR

Agricultural Finance Authority**12 Eliminate General Fund Appropriation**

(\$104,595) R

Shift funding for Director position to receipt support.
This action will make the Agricultural Finance Authority entirely receipt-supported.

-1.00

Agricultural Statistics**13 Eliminate Vacant Position**

(\$40,495) R

Eliminate vacant Statistician I position.

-1.00

14 Eliminate Filled Position

(\$29,335) R

Eliminate filled Data Entry Operator II position.

-1.00

15 Shift Position to Receipt Support

(\$34,740) R

Shift funding for one filled Lithographic Press Operator position to NC State Fair receipts.

-1.00

16 Reduce Operating Support

(\$46,500) R

Reduce operating line items.

Temporary wages (\$45,000)
Travel (\$ 1,500)

Agronomic Services**17 Eliminate Vacant Positions**

(\$59,296) R

Eliminate 2 vacant positions in Agronomic Services.

-2.00

Processing Assistant III (\$29,096)
Nematology Technician (\$30,200)

18 Reduce Operating Support

(\$5,000) R

Reduce travel line item

Aquaculture**19 Eliminate Vacant Position**

(\$39,184) R

Eliminate vacant Administrative Secretary position.

-1.00

20 Eliminate Filled Position

(\$30,491) R

Eliminate filled Office Assistant IV position.

-1.00

21 Reduce Operating Support

(\$1,000) R

Reduce travel line item

Emergency Programs

22 Eliminate Vacant Position	(\$42,744)	R
Eliminate vacant Administrative Officer II position.		
	-1.00	

Food and Drug Protection

23 Eliminate Vacant Position	(\$30,572)	R
Eliminate vacant Processing Assistant III position in the Analytical Administration Section.		
	-1.00	

24 Eliminate Vacant Positions	(\$67,298)	R
Eliminate 2 vacant positions in the Commercial Fertilization Section.		
	-2.00	

Chemistry Technician II (\$32,757)
Chemistry Technician II (\$34,541)

25 Eliminate Vacant Positions	(\$229,239)	R
Eliminate 4 vacant positions in the Pesticide Section.		
	-4.00	

Pesticide Specialist II (\$63,548)
Pesticide Specialist II (\$50,693)
Pesticide Inspector I (\$47,113)
Chemist I (\$67,885)

26 Eliminate Filled Positions	(\$79,341)	R
Eliminate 2 filled positions in the Pesticide Section.		
	-2.00	

Processing Assistant III (\$25,012)
Pesticide Specialist I (\$54,329)

27 Reduce Operating Support	(\$10,500)	R
Reduce funds to collect outdated and unused pesticides for proper disposal.		

28 Reduce Operating Support	(\$61,772)	R
Reduce funds for waste removal and recycling, postage and printing.		

29 Reduce Operating Support	(\$26,000)	R
Reduce operating line items.		

Equipment/vehicles (\$18,000)
Travel (\$ 8,000)

30 Eliminate Vacant Positions	(\$89,762)	R
Eliminate 3 vacant positions from the Food and Drug Protection Section.		
	-3.00	

Chemistry Technician III (\$38,662)
Processing Assistant III (\$26,663)
Medical Laboratory Assistant I (\$24,437)

Food Distribution

- 31 Shift Position to Receipt Support** (\$35,120) R
Shift funding for Storeroom Manager to receipt support.
-1.00
- 32 Reduce Operating Support** (\$3,000) R
Reduce travel line item

Marketing

- 33 Eliminate General Fund Appropriation** (\$40,343) R
Eliminate General Fund appropriation to the Raleigh Farmers Market. This action will make the Raleigh Farmers Market entirely receipt-supported.
- 34 Eliminate General Fund Appropriation** (\$70,000) R
Eliminate General Fund Appropriation to the Western NC Development Association.
- 35 Eliminate Vacant Positions** (\$213,339) R
Eliminate 6 vacant positions.
-6.00
- Agri cultural Marketing Specialist II (\$46,304)
Agri cultural Marketing Specialist II (\$41,990)
Artist Illustrator (\$38,006)
Statistical Asst. V (\$40,741)
General Utility Worker (\$23,008)
Security Guard (\$23,290)
- 36 Close Field Offices** (\$34,615) R
Close the Kinston and Roseboro field offices, reduce associated operating costs and relocate staff to other offices.
- 37 Eliminate Filled Position** (\$35,050) R
Eliminate filled Office Assistant position in the Roseboro field office.
-1.00
- 38 Eliminate Filled Positions** (\$104,259) R
Eliminate 4 filled positions at the Lumberton Farmers Market.
-4.00
- Maintenance Mechanic II (\$27,471)
Maintenance Mechanic II (\$27,471)
Processing Assistant III (\$24,455)
Processing Assistant III (\$24,862)
- 39 Reduce Operating Support** (\$45,000) R
Reduce operating support for Seafood Marketing. (\$55,000) NR
- 40 Reduce Operating Support** (\$157,902) R
Reduce various operating line items. (\$23,000) NR

Overview: 2002 Session Fiscal and Budgetary Actions

FY 02-03

- 41 Eliminate General Fund Appropriation** (\$184,909) R
 Eliminate General Fund appropriation to the Western Agricultural Center. Funds will be replaced with receipts from the NC Mountain State Fair.

Plant Industry

- 42 Eliminate Vacant Positions** (\$97,793) R
 Eliminate 2 vacant positions in the Commercial Fertilizer Section.
 -2.00

Fertilizer Administrator (\$53,736)
 Agricultural Research Technician (\$44,057)

- 43 Reduce Operating Support** (\$17,000) R
 Reduce operating line items in the Commercial Fertilizer Section.

Temporary wages (\$ 5,000)
 Travel (\$12,000)

- 44 Eliminate Vacant Position** (\$41,234) R
 Eliminate vacant Plant Pest Specialist position in the Plant Protection Section.
 -1.00

- 45 Eliminate Operating Support** (\$60,000) R
 Eliminate operating costs for the fire ant protection program in the Commercial Fertilizer Section.

- 46 Reduce Operating Support** (\$50,000) NR
 Reduce operating support for the Commercial Fertilizer Section by \$50,000. NC Boll Weevil Foundation will make a one time donation to offset the reduction.

- 47 Eliminate Filled Position** (\$26,104) R
 Eliminate filled Laboratory Technician position in the Seed Testing Section.
 -1.00

- 48 Reduce Operating Support** (\$6,500) R
 Reduce operating line items in the Seed Testing Section.

Temporary wages (\$5,000)
 Travel (\$1,500)

Poultry Grading & Regulatory

- 49 Eliminate Filled Positions** (\$73,819) R
 Eliminate 2 filled positions.
 -2.00

Agricultural Commodity Inspector (\$31,073)
 Agricultural Commodity Inspector (\$42,746)

- 50 Eliminate Vacant Position** (\$80,021) R
 Eliminate vacant Assistant Director for Agricultural Marketing position.
 -1.00

51 Reduce Operating Support (\$5,000) R
Reduce travel line item

Property and Construction

52 Shift Position to Receipt Support (\$60,390) R
Shift funding for one filled Construction and Renovation
Design Technician position to NC State Fair receipts. -1.00

Research Stations

53 Eliminate Vacant Positions (\$393,817) R
Eliminate 12 vacant positions in Research Stations. -12.00

Office Assistant IV (\$34,492)
Ag Research Tech I (\$38,445)
Ag Research Assistant I (\$30,458)
Ag Research Tech I (\$40,151)
Ag Research Assistant III (\$30,061)
Ag Research Tech I (\$40,151)
Ag Research Assistant I (\$23,290)
Ag Research Assistant I (\$23,290)
Ag Research Tech I (\$35,628)
Ag Research Assistant II (\$30,457)
Ag Research Tech II (\$38,604)
Ag Research Assistant II (\$28,790)

54 Reduce Operating Support (\$556,000) R
Reduce operating line items in Research Stations.

Repairs/equipment (\$22,000)
Telephone (\$22,000)
Carpentry & Hardware Supplies (\$22,000)
Ag/Animal Supplies (\$200,000)
Vehicles (\$290,000)

55 Eliminate Vacant Positions (\$108,171) R
Eliminate 4 vacant positions in Research Farms. -4.00

Ag Research Assistant I (\$25,174)
Ag Research Assistant I (\$25,174)
Ag Research Assistant II (\$28,692)
Ag Research Assistant III (\$29,131)

56 Reduce Operating Support (\$373,455) R
Reduce operating support for Research Farms.

Repairs (\$8,000)
Telephone (\$2,000)
Carpentry & Hardware Supplies (\$10,000)
Ag/Animal Supplies (\$138,455)
Vehicles (\$215,000)

Overview: 2002 Session Fiscal and Budgetary Actions

FY 02-03

57 Eliminate Operating Support

Eliminate operating support for the NC Official Variety tests for one year.

(\$25,000) NR

Standards

58 Eliminate Vacant Positions

(\$75,078) R

Eliminate 2 vacant Long Distance Truck Drivers in the Weights and Measures Inspection Section.

-2.00

59 Reduce Operating Support

(\$17,000) R

Reduce operating line items.

Equipment/vehicles (\$13,000)
Travel (\$ 4,000)

Veterinary Services

60 Eliminate Vacant Positions

(\$157,103) R

Eliminate 5 vacant positions in Veterinary Services Section.

-5.00

Processing Assistant III (\$25,516)
Processing Assistant III (\$28,530)
Medical Laboratory Technician II (\$31,073)
Medical Laboratory Technician II (\$33,490)
Animal Health Technician I (\$38,494)

61 Reduce Operating Support

Reduce various line items in the Meat and Poultry Inspections Section.

(\$42,990) NR

62 Eliminate Vacant Position

(\$21,995) R

Eliminate vacant Meat and Poultry Inspector position. This position is cost-shared 50/50 with the federal government.

-0.50

Budget Changes

(\$4,677,739) R

(\$144,719) NR

Total Position Changes

-67.50

Revised Total Budget

\$50,445,582

Special Provisions **SB 1115**

Department: Agriculture and Consumer Services

Section: 2.2

Title: **General Fund Availability Statement**

Summary: Section 2.2 (a) diverts \$38,000,000 of the Master Settlement Payments that would normally go to Tobacco Trust Fund. Instead, these payments will go directly into the General Fund.

Section 2.2(b) transfers cash balances remaining in special funds in various State departments. For the Department of Agriculture, the following special funds were reduced:

Livestock Acquisition Fund- \$300,000
Warehouse Investment Fund - \$225,000
State Fair Reserves - \$250,000
State Fair Receipts- \$500,000
Reforestation Fund - \$23,915
Forest Management Reserve- \$50,000

Section: 11.1

Title: **Close Robbins Diagnostic Laboratc**

Summary: Section 11.1 (a) closes the Robbins Poultry Disease Diagnostic Laboratory and transfers two positions from Robbins to the Rollins Laboratory in Raleigh. Section 11.1 (b) directs the Department to evaluate the statewide need for poultry disease diagnostic services. In particular, the Department is to determine whether the needs of the region in which Robbins is located are being met.

NOTE: Section 91.2 of S.L. 2002-159 (technical corrections bill) repeals section 11.1 (a) of S.L. 2002-126 (appropriations bill).

Section: 11.2

Title: **Adjust Method of Budgeting Receipts and Limit Spending**

Summary: Section 11.2 (a) directs the State Budget Office to adjust the budget for Department of Agriculture receipts to more closely reflect actual revenues. Section 11.2 (b) instructs the Department not to spend more than is appropriated in this year's budget in the Division of Research Stations.

Section: 11.3

Title: **Transfer Mountain State Fair Receipts**

Summary: Transfers \$70,000 from receipts generated at the Mountain State Fair to fund the Western North Carolina Development Association.

Section: 11.4

Title: **NC Farmers' Markets/Analyze Certain Operational Guidelines and Enforcement of Guidelines**

Summary: Directs the Department to analyze the operational guidelines of the State operated farmers' markets. Specifically, the Department shall consider the current requirements for the percentage of farm products that a farmer must produce on the farmer's own farm to be eligible for retail space in the market's main areas. The Department shall also analyze the enforcement of those guidelines. The Department shall report any recommendations to the Joint Legislative Commission on Governmental Operations, the Joint Appropriations Subcommittees on Natural and Economic Resources and the Fiscal Research Division no later than January 15, 2003.

Section: 11.6

Title: **Farmland Preservation**

Summary: Appropriates \$200,000 to the Department for the Farmland Preservation Trust Fund. These funds are to be used for purchases of agricultural conservation easements that are perpetual in duration

Overview: 2002 Session Fiscal and Budgetary Actions

Commerce

GENERAL FUND

FY 02-03

Total Budget Approved 2001 Session

\$44,280,374

Budget Changes

Administration

63 Reduce Operating Support (\$40,706) R
Reduce various operating line items.

64 Reduce Operating Support (\$98,000) R
Eliminate audit services line item

Air Transportation

65 Reduce Operating Support (\$121,489) R
Reduce various operating line items.

66 Sell Bell Helicopter (\$700,000) NR
Budget receipts from sale of Bell 206 Helicopter and
reduce General Fund appropriation on a one-time basis by
an equal amount.

Business & Industry

67 Eliminate Vacant Position (\$43,416) R
Eliminate vacant Administrative Assistant IV position.
-1.00

68 Eliminate Transfer to Global TransPark Authority (\$172,036) R
Eliminate transfer of funds to Global TransPark Authority
for marketing.

Commerce Finance Center

69 Eliminate Vacant Position (\$53,384) R
Eliminate vacant Industrial Finance Specialist II position.
-1.00

70 Reduce Operating Support (\$18,999) R
Reduce various operating line items.

71 Reduce Industrial Development Revolving Fund (\$1,380,528) R
Reduce funding for Industrial Development Revolving Fund.

Commission on Workforce Preparedness**72 Shift Positions to Receipt Support** (\$89,687) R

Shift funding for 1.16 positions to receipt support and eliminate \$4,074 in operating support. This action will make the Commission completely receipt-supported.

-1.16

Deputy Director (0.58 FTE) (\$58,901)
Administrative Assistant (0.58 FTE) (\$26,712)

Community Assistance**73 Eliminate Vacant Position** (\$42,318) R

Eliminate vacant Drafting Technician II position.

-1.00

74 Shift Positions to Receipt Support (\$53,168) R

Shift funding for 1.5 positions to receipt support. These positions are now funded from federal Community Development Block Grant funds.

-1.50

Information & Communications Specialist II (\$37,954)
Office Assistant IV (0.50 FTE) (\$15,214)

75 Reduce Office Rent (\$23,120) R

Reduce office rent expense as a result of closing Kinston and Salisbury offices.

76 Reduce Transfer to Councils of Government (\$102,850) R

Reduce transfer to Councils of Government (COGs) by 11% (S.L. 2002-126, Section 13.2).

Industrial Commission**77 Budget Over-Realized Receipts** (\$327,844) R

Budget over-realized receipts from hearing and compromised settlement agreement fees, and reduce General Fund appropriation by an equal amount.

78 Shift Positions to Receipt Support (\$261,204) R

Shift funding for 6.43 positions to receipt support.

-6.43

Applications Analyst Programmer I (\$74,298)
Computing Support Technician I (0.43 FTE) (\$13,543)
Processing Assistant III (\$26,590)
Data Control Clerk III (\$24,862)
Program Assistant V (\$35,179)
Program Assistant V (\$34,616)
Agency Legal Specialist I (\$52,116)

Overview: 2002 Session Fiscal and Budgetary Actions

FY 02-03

79 Eliminate Vacant Positions	(\$110,103)	R
Eliminate 2.82 vacant positions.		
	-2.82	
Application Programmer I	(\$38,147)	
Computing Support Technician I (0.32 FTE)	(\$10,078)	
Processing Assistant III (0.50 FTE)	(\$18,592)	
Administrative Assistant I	(\$43,286)	

80 Eliminate Filled Position	(\$25,156)	R
Eliminate filled Processing Assistant II position.		
	-1.00	

International Trade

81 Eliminate Vacant Position	(\$28,346)	R
Eliminate vacant Office Assistant IV position.		
	-1.00	

82 Reduce Operating Support	(\$200,000)	R
Reduce various operating line items.		

Management Information Systems

83 Eliminate Filled Position	(\$45,695)	R
Eliminate filled Telecommunications Equipment Technician I position.		
	-1.00	

84 Reduce Operating Support	(\$44,651)	R
Reduce operating line items.		
Computer Software	(\$30,000)	
Other	(\$14,651)	

Policy & Research

85 Reduce Operating Support	(\$45,663)	R
Reduce various operating line items.		

Reserves & Transfers

86 Regional Economic Development Commissions	(\$6,425,000)	R
Remove funding to the Regional Economic Development Commissions from the Department of Commerce's main budget code and budget funding in the Commerce State Aid budget code (S.L. 2002-126, Sections 13.6, 13.7, and 13.9).		

Science & Technology

87 Eliminate Filled Position	(\$66,626)	R
Eliminate filled Education Consultant position.		
	-1.00	

Overview: 2002 Session Fiscal and Budgetary Actions

FY 02-03

Tourism, Film and Sports Development

88 Reduce Operating Support	(\$169,680)	R
Reduce various operating line items.		
89 Eliminate Vacant Position	(\$60,441)	R
Eliminate vacant Program Development Coordinator position in the Office of Sports Development. This action eliminates the last position in this Office. Sports Development activities will be absorbed into the Division's overall activities.	-1.00	
90 Eliminate Advertising Reserve	(\$50,000)	R
Eliminate advertising reserve line item		
91 Reduce Operating Support	(\$50,000)	R
Reduce various operating line items in the Welcome Centers.		
92 Funds for Film Recruitment	\$500,000	NR
Provide funds for the Film Industry Development Account, which provides grants as incentives to film/TV production companies that engage in production activities in the State.		

Budget Changes	(\$10,150,110)	R
	(\$200,000)	NR
Total Position Changes	-19.91	
Revised Total Budget	\$33,930,264	

Special Provisions **SB 1115**

Department: Commerce

Section: 2.2

Title: **General Fund Availability Statement**

Summary: Section 2.2.(b) transfers cash balances remaining in special funds in various State departments. For the Department of Commerce, the following special funds were reduced:

Employment & Training Grants Program - \$750,000
Industrial Development Fund - \$3,000,000
ABC Commission - \$500,000
ABC Warehouse - \$500,000

Section: 5.2

Title: **NER Block Grant Funds**

Summary: Allocates \$45 million in federal Community Development Block Grant (CDBG) funds for the 2003 program year. Provides for subsequent increases or decreases in federal fund availability. Places limitations on CDBG funds. Allows capacity building grants to be made for non-profit organizations from funds available within program categories, program income, or unobligated funds.

NOTES: Section 69.5 of S.L. 2002-159 (technical corrections bill) amends Section 5.2(a) of S.L. 2002-126 (appropriations bill) by changing the Program Year date from "2002" to "2003."

Section 69.6(a) of the technical corrections bill amends Section 5.2(d) of the appropriations bill by changing the limit on amount of funds that can be used for Urgent Needs and Contingency from "up to" to "not less than" \$1,000,000. Section 69.6(a) also adds that "any funds in excess of \$1,000,000 may be taken only from categories 01, 02, 04, 06, and 08" of Section 5.2(a) of the appropriations bill.

Section 69.6(b) of the technical corrections bill adds to the appropriations bill a Section 5.2(f), which allows the Department of Commerce to use up to \$4,000,000 of the funds appropriated in Section 5.2 of S.L. 2001-424 for Urgent Needs and Contingency for drought recovery.

Section: 13.1

Title: **Oregon Inlet Fund:**

Summary: Prevents funds appropriated in the 2001-02 fiscal year for the Oregon Inlet Project from reverting on June 30, 2002. Allows these funds to be used for legal costs associated with the project.

Section: 13.2

Title: **Council of Government Funds**

Summary: Outlines the process for allocating funds to the 17 regional councils of government (COGs).
Modifies procedure through which funds flow from the Department of Commerce to the COGs.
Former procedure required each county and municipality to request that funds be released to their respective COGs. Modified procedure requires no action by counties and municipalities. Funds are now transferred electronically to COGs in two equal installments, the first no later than September 1, 2002, and the second subsequent to acceptable submission of report to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division.

NOTE: Section 58.7 of S.L. 2002-159 (technical corrections bill) amends Section 13.2(c) of S.L. 2002-126 (appropriations bill) by changing the date by which the first installment payment shall be paid from "September 1, 2002" to "November 1, 2002."

Section: 13.3

Title: **Worker Training Trust Fund Appropriation**

Summary: Specifies appropriations from the Worker Training Trust Fund for FY 2002-03 and requires that each recipient report on budgetary and program activities to the Joint Legislative Commission on Governmental Operations and Fiscal Research by January 15, 2003. Requires NCREAL to provide a copy of its annual audited financial statement within 30 days of issuance of the statement. Total appropriation from the Fund equals \$11,321,143, allocated as follows:

ESC Local Offices	\$6,300,000
Commerce DET	\$ 911,121
Community Colleges - Training Initiatives	\$ 897,587
Community Colleges - FIT	\$1,450,000
ESC - Common Follow-up	\$ 201,957
Community Colleges - NCREAL	\$ 359,035
ESC - Eval Position	\$ 53,856
Labor - Apprenticeship	\$ 897,587
Community Colleges - Hosiery Tech	\$ 250,000

NOTE: Section 75.5 of S.L. 2002-159 (technical corrections bill) amends Section 13.3(c), S.L. 2002-126 (2002 appropriations bill) by changing the fiscal year dates in the reporting requirements in subheadings (1) and (2) from "2002-2003" to "2001-2002" and in subheadings (3) and (4) from "2003-2004" to "2001-2002."

Section: 13.4

Title: **NER Interim Study/Small Business Development Functions**

Summary: Allows the Senate and House of Representatives Appropriations Subcommittees on Natural and Economic Resources to study the feasibility and desirability of designating the Small Business and Technology Development Center (SBTDC), Department of Commerce, Community College System Office, or any other non-profit or governmental agency as the State's presumptive provider of small business development assistance. Requires the Subcommittees to report and make recommendations to the 2003 General Assembly by January 15, 2003.

Section: 13.4B

Title: **One North Carolina Fund**

Summary: Prevents funds appropriated in FY 2001-02 to the Department of Commerce for the One North Carolina Fund from reverting to the General Fund on June 30, 2002. Funds shall remain available to the Department for providing financial assistance to businesses.

Overview: 2002 Session Fiscal and Budgetary Actions

Commerce - State Aid

GENERAL FUND		
		FY 02-03
Total Budget Approved 2001 Session		\$5,200,000
Budget Changes		
Grants-in-Aid		
93 Eliminate Coalition of Farm and Rural Families	(\$250,000)	R
Eliminate General Fund appropriation for the Coalition of Farm and Rural Families.(S.L. 2002-126, Section 13.10).		
94 Reduce Land Loss Prevention Project	(\$45,000)	R
Reduce General Fund appropriation for the Land Loss Prevention Project by 10%(S L. 2002-126, Section 13.10).		
95 Reduce Institute of Minority Economic Development	(\$150,000)	R
Reduce General Fund appropriation for the Institute of Minority Economic Development by 10%.(S.L. 2002-126, Section 13.10).		
96 Reduce Minority Support Center	(\$60,000)	R
Reduce General Fund appropriation for the Minority Support Center by 10%(S L. 2002-126, Section 13.10).		
97 Reduce NC Community Development Initiative	(\$200,000)	R
(S L. 2002-126, Section 13.10).		
98 Reduce NC Association of CDCs	(\$40,000)	R
(S L. 2002-126, Section 13.10).		
99 Regional Economic Development Commissions	\$5,830,000	R
Transfer \$6,425,000 from the Commerce main budget code to the Commerce State Aid budget code and reduce funds to each Regional Economic Development Commission by \$85,000. (S L. 2002-126, Sections 13.6, 13.7, 13.9).		
Budget Changes	\$5,085,000	R
Total Position Changes		
Revised Total Budget	\$10,285,000	

Special Provisions **SB 1115**

Department: Commerce - State Aid

Section: 13.6

Title: **Regional Economic Development Commission Allocations**

Summary: Specifies the funding formula for allocating the \$5,830,000 General Fund appropriation to the seven regional economic development commissions for the 2002-03 fiscal year.

Section: 13.7

Title: **Regional Commission Report**

Summary: Requires each of the seven regional economic development commissions to report specific program activities bi-annually, on January 15, 2003 and July 15, 2003 to the Joint Legislative Commission of Governmental Operations, and the Fiscal Research Division. Also requires each of the commissions to report specified performance activities and budgetary information from FY 2001-2002 by January 15, 2003 to the Joint Legislative Commission on Governmental Operations, Fiscal Research and the Department of Commerce. The report to the Department of Commerce shall also include number and listing of available sites and buildings within the region. Requires each of the commissions to submit their annual audited financial statements to Fiscal Research within 30 days of issuance.

NOTE: Section 76 (a) of S.L. 2002-159 (technical corrections bill) repeals the new reporting requirement in section 13.7 of S.L. 2002-126 (appropriations bill).

Section: 13.9

Title: **Study Effectiveness of Economic Development Agencies**

Summary: Directs the Kenan-Flagler Business School at UNC-Chapel Hill to study the effectiveness of the economic development activities of the Department of Commerce and the regional economic development commissions. The study shall identify how Commerce and the Commissions can improve communication and avoid duplication of efforts; establish specific performance measures and outcomes relevant to mission, goals, and objectives; develop a scorecard that can be used to measure the extent to which each is meeting its goals, objectives and outcomes; and recommend a performance-based funding mechanism that will inform the General Assembly's decisions regarding appropriations to Commerce and the Commissions. The Business School shall report its findings and recommendations to the House and Senate Appropriations Subcommittee on Natural and Economic Resources and the House and Senate Full Appropriations Chairs, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division by March 15, 2003.

NOTE: Section 76(b) of S.L. 2002-159 amends Section 13.9 of S.L. 2002-126 by broadening the recipients of the Business School's report to "the members of the General Assembly" rather than the various recipients listed above.

Section: 13.10

Title: **Nonprofit Reporting Requirements**

Summary: Requires the NC Institute for Minority Economic Development, Inc., Land Loss Prevention Project, North Carolina Minority Support Center, North Carolina Development Initiative, Inc., North Carolina Association of Community Development Corporations, Inc., and Partnership for the Sounds, Inc. to report budgetary and program activities by January 15, 2003 to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division. Requires each organization to submit their annual audited financial statements to the Fiscal Research Division within 30 days of issuance. Requires that no funds shall be appropriated to the above listed organizations unless they have fulfilled their January 15, 2003 reporting requirements.

Overview: 2002 Session Fiscal and Budgetary Actions

Environment & Natural Resources

GENERAL FUND

FY 02-03

Total Budget Approved 2001 Session

\$158,722,700

Budget Changes

(1.00) Administration

100 Eliminate Vacant Positions (\$280,201) R

Eliminate 6.25 vacant positions in Administrative Services.

-6.25

Processing Assistant III	(\$34,740)
Accounting Tech. I	(\$32,525)
Office Work Unit Supervisor IV(0.25 FTE)	(\$7,398)
Administrative Secretary III	(\$40,315)
Administrative Assistant V	(\$34,116)
Systems Accountant II	(\$79,343)
Administrative Officer II	(\$51,764)

101 Eliminate Filled Position (\$88,968) R

Eliminate filled Environmental Supervisor III position in the Human Resources Office.

-1.00

(2.00) Aquariums

102 Eliminate Vacant Positions (\$160,568) R

Eliminate 4 vacant positions.

-4.00

Info & Communication Specialist II	(\$54,206)
Natural Science Curator I	(\$32,186)
Natural Science Curator I	(\$32,186)
Natural Science Curator II	(\$41,990)

103 Reduce Operating Support (\$391,178) R

Reduce various operating line-items.

(2.00) Environmental Education

104 Reduce Operating Funds (\$14,601) R

Reduce various operating line items in the Office of Environmental Education.

(2.00) Forest Resources

105 Eliminate Vacant Positions	(\$227,572)	R
Eliminate 5 vacant positions in the forestry field offices.		
	-5.00	
Office Assistant III	(\$28,204)	
Office Assistant III	(\$30,049)	
Forestry Supervisor II	(\$59,534)	
Forestry Supervisor II	(\$71,439)	
Administrative Assistant I	(\$38,346)	
106 Shift Position to Receipt Support	(\$44,220)	R
Shift funding for a vacant Forester II position to receipt support.		
	-1.00	
107 Reduce Operating Support	(\$1,347,448)	R
Reduce operating line items in the forestry field offices.		
Seasonal Wages	(\$246,887)	
Overtime/Fringe	(\$495,758)	
Equipment/Vehicles	(\$329,000)	
Other	(\$275,803)	
108 Reduce Contracts	(\$150,000)	R
Reduce funds for a CL-215 aircraft contract.		
109 Reduce BRIDGE Program	(\$33,158)	R
Reduce funding for seasonal and overtime wages in the BRIDGE program.		
110 Shift Position to Receipt Support	(\$52,044)	R
Shift funding for a vacant Forestry Technician position to receipt support in the Tree Improvement Program		
	-1.00	
111 Reduce Seasonal and Overtime Wages	(\$10,499)	R
Reduce funding for seasonal and overtime wages in the Tree Improvement Program		
(2.00) Marine Fisheries		
112 Reduce Operating Support	(\$84,685)	R
Reduce various operating line items in administration.		
113 Eliminate Vacant Positions	(\$109,528)	R
Eliminate 3 vacant positions.		
	-3.00	
Marine Fisheries Technician II	(\$33,940)	
Cartographic Technician	(\$28,964)	
Marine Fisheries Biologist Supervisor	(\$46,624)	
114 Shift Position to Receipt Support	(\$46,624)	R
Shift funding for one Marine Fisheries Biological Supervisor position to receipt support.		
	-1.00	

115 Reduce Operating Support	(\$284,152)	R
Reduce various operating line items for marine research.		
116 Reduce Operating Support	(\$90,432)	R
Reduce various operating line items in the Marine Patrol section.		
117 Shift Positions to Receipt Support	(\$101,902)	R
Shift funding for 2 positions to receipt support in the Marine Patrol section.		
	-2.00	
Marine Fisheries Enforcement Officer III	(\$36,000)	
Marine Enforcement Assistant Chief	(\$65,902)	
(2.00) Museum of Natural Sciences		
118 Eliminate Vacant Positions	(\$190,096)	R
Eliminate 6 vacant positions in the Museum of Natural Sciences.		
	-6.00	
Wildlife/Fish Technician I	(\$30,236)	
Art Museum Exhibit Design Tech	(\$33,066)	
Natural Sciences Curator I	(\$32,186)	
Natural Sciences Curator I	(\$32,186)	
Natural Sciences Curator I	(\$32,186)	
Wildlife Fisheries Tech I	(\$30,236)	
119 Reduce Grassroots Science Museums	(\$318,240)	R
Reduce funding for the Grassroots Science Museums by 10.2% (SL.2002-126, Section 12.1).		
(2.00) Parks and Recreation		
120 Eliminate Vacant Positions in State Parks	(\$71,007)	R
Eliminate 2 vacant positions at the following parks:		
	-2.00	
Lake James - Maintenance Mechanic I	(\$25,244)	
Falls Lake - Park Superintendent I	(\$45,763)	
121 Eliminate Filled Positions in State Parks	(\$219,579)	R
Eliminate 7 filled positions at the following parks:		
	-7.00	
Waynesborough - General Utility Worker	(\$23,388)	
Weymouth Woods - Maintenance Mechanic II	(\$30,085)	
Jordan Lake - Park Superintendent I	(\$46,842)	
Jockey's Ridge - Maintenance Mechanic II	(\$28,402)	
Kerr Lake - Park Superintendent I	(\$43,713)	
Medoc Mountain - General Utility Worker	(\$23,371)	
Pettigrew - General Utility Worker	(\$23,778)	
122 Eliminate Filled Positions	(\$79,216)	R
Eliminate 2 filled positions in the central office.		
	-2.00	
Processing Assistant III	(\$28,811)	
Facility Architect I	(\$50,405)	

Overview: 2002 Session Fiscal and Budgetary Actions

FY 02-03

123 Eliminate Vacant Position	(\$38,913)	R
Eliminate vacant Environmental Specialist II position in the central office.	-1.00	
124 Shift Position to Receipt Support	(\$27,512)	R
Shift funding for an Office Assistant III position to receipt support. This position will be funded from the Parks and Recreation Trust Fund.	-1.00	
125 Reduce Operating Support	(\$100,000)	R
Reduce various operating line items division-wide.		
126 Reduce Adopt-a-Trails Program	(\$27,000)	R
Reduce funding for the Adopt-a-Trails Program.		
(2.00) Soil and Water Conservation		
127 Eliminate Vacant Positions	(\$43,642)	R
Eliminate 1.5 vacant positions.	-1.50	
Office Assistant IV	(\$27,947)	
Environmental Technician III (0.50 FTE)	(\$15,695)	
128 Reduce Operating Support	(\$181,508)	R
Reduce various operating line items.		
129 Reduce Agriculture Cost Share Financial Assistance	(\$400,000)	R
Reduce funds for the Agriculture Cost Share Program for nonpoint source pollution control to reimburse farmers up to 75% of the costs of installing best management practices to improve and protect water quality.		
(2.00) Zoological Park		
130 Shift Positions to Receipt Support	(\$138,020)	R
Shift funding for 5.5 positions to receipt support.	-5.50	
Zoo Security Officer II	(\$24,065)	
Zoo Security Officer II	(\$23,724)	
Vehicle Operator II	(\$24,435)	
Horticultural Technician	(\$27,466)	
Horticultural Technician	(\$28,161)	
Housekeeping Team Leader (0.5 FTE)	(\$10,169)	

Overview: 2002 Session Fiscal and Budgetary Actions

FY 02-03

131 Eliminate Vacant Positions	(\$208,354)	R
Eliminate 7.5 vacant positions in the Zoological Park.		
	-7.50	
Zoo Security Officer I	(\$22,957)	
Zoo Security Officer I	(\$23,335)	
Staff Development Specialist I	(\$38,588)	
Groundsworker	(\$24,065)	
Public Info. Asst. III (0.50 FTE)	(\$11,471)	
Library Tech Asst. II	(\$33,452)	
Zoo Keeper I	(\$27,472)	
Zoo Keeper I	(\$27,014)	
132 Eliminate Filled Position	(\$12,490)	R
Eliminate .50 FTE of a filled Office Assistant III position at the Zoo.		
	-0.50	
133 Reduce Operating Support	(\$65,222)	R
Reduce various operating line items and budget \$5,222 in over-realized receipts.		
(3.00) Air Quality		
134 Eliminate General Fund Appropriation	(\$509,145)	R
Shift funding for 9 positions and \$32,758 in operating expenses to receipt support. This action will make the Division of Air Quality entirely receipt-supported.		
	-9.00	
Environmental Program Manager	(\$102,610)	
Administrative Secretary III	(\$ 41,625)	
Environmental Engineer II	(\$ 59,625)	
Environmental Chemist II	(\$ 52,455)	
Environmental Specialist II	(\$ 39,535)	
Info Processing Assistant II	(\$ 38,155)	
Environmental Chemist II	(\$ 50,505)	
Environmental Chemist II	(\$ 63,077)	
Office Assistant IV	(\$ 28,800)	
(3.00) Coastal Management		
135 Shift Position to Receipt Support	(\$133,592)	R
Shift funding for 2.5 positions to receipt support.		
	-2.50	
Environmental Specialist III	(\$52,255)	
Exten. Education & Training Specialist I	(\$43,178)	
Environmental Supervisor III (0.50 FTE)	(\$38,159)	
136 Reduce Land Use Planning Grants	(\$76,000)	R
Reduce funds for land use planning grants.		
137 Reduce Operating Funds	(\$33,252)	R
Reduce over-budgeted operating funds for the Preyer Buckridge Coastal Reserve.		

(3.00) Environmental Health

138 Reduce Operating Support	(\$192,809)	R
Reduce various operating line items division-wide.		
139 Reduce Aid to County	(\$134,281)	R
Reduce funding for aid to counties for environmental health programs.		
140 Eliminate Vacant Positions	(\$44,020)	R
Eliminate 1.5 vacant positions in the Environmental Health Services section.		
	-1.50	
Program Assistant IV	(\$28,896)	
Processing Assistant IV (0.50 FTE)	(\$15,124)	
141 Shift Position to Receipt Support	(\$22,818)	R
Shift funding for .71 FTE of a Processing Assistant IV position to receipt support in the Public Water Supply section.		
	-0.71	
142 Transfer Radiation Protection	\$1,078,477	R
Transfer all responsibilities, receipts and positions of the Division of Radiation Protection to the Division of Environmental Health.		
	19.50	
143 Eliminate Vacant Positions	(\$162,658)	R
Eliminate 3 vacant positions as part of the reorganization which merges the Division of Radiation Protection into the Division of Environmental Health.		
	-3.00	
Radiation Protection Services Chief	(\$95,655)	
Administrative Assistant I	(\$40,891)	
Office Assistant IV	(\$26,112)	
144 Shift Positions to Receipt Support	(\$221,838)	R
Shift funding for 4 positions and \$6,568 in operating expense to receipt support.		
	-4.00	
Environmental Supervisor I	(\$70,138)	
Radiological Health Specialist	(\$55,502)	
Radiological Health Specialist	(\$37,668)	
Health Physi cist	(\$51,962)	
145 Budget Increased Receipts	(\$226,250)	R
Budget increased food and lodging facility fees and reduce General Fund appropriation by an equal amount (S.L. 2002-126, Section 29A. 15-16).		
(3.00) Land Resources		
146 Eliminate Vacant Position	(\$25,962)	R
Eliminate vacant Office Assistant III position in the Geological Survey section.		
	-1.00	

147 Reduce Operating Support	(\$25,551)	R
Reduce various operating line items in the Geological Survey section.		
148 Eliminate Vacant Position	(\$37,185)	R
Eliminate vacant Geodetic Survey Analysis Technician I position in the Geodetic Survey section.		
	-1.00	
149 Shift Position to Receipt Support	(\$7,768)	R
Shift funding for .25 FTE of a Geodetic Survey Technician I position to receipt support.		
	-0.25	
150 Shift Positions to Receipt Support	(\$517,862)	R
Shift funding for 11 positions and \$2,147 in operating expenses to receipt support in the Land Quality section.		
	-11.00	
Environmental Engineer III	(\$68,927)	
Environmental Technician V	(\$37,384)	
Environmental Engineer II	(\$58,093)	
Environmental Technician V	(\$42,709)	
Environmental Technician V	(\$44,046)	
Environmental Technician V	(\$38,017)	
Environmental Engineer I	(\$53,457)	
Environmental Technician V	(\$38,725)	
Environmental Technician V	(\$44,553)	
Environmental Engineer I	(\$47,571)	
Environmental Technician V	(\$42,233)	
151 Shift Position to Receipt Support	(\$19,263)	R
Shift funding for .50 FTE of an Office Assistant III and \$3,151 in operating expenses to receipt support.		
	-0.50	
(3.00) Pollution Prevention		
152 Shift Positions to Receipt Support	(\$110,981)	R
Shift funding for 2.13 positions to receipt support.		
	-2.13	
Environmental Specialist III (0.58 FTE)	(\$35,757)	
Industrial Development Rep I (0.55 FTE)	(\$26,590)	
Industrial Development Rep I	(\$48,634)	
153 Reduce Operating Support	(\$48,989)	R
Reduce various operating line items.		
(3.00) Radiation Protection		
154 Abolish Division	(\$1,078,477)	R
Abolish the Division of Radiation Protection and transfer all responsibilities, receipts and positions to the Division of Environmental Health.		
	-19.50	

(3.00) Waste Management

155 Shift Positions to Receipt Support	(\$118,278)	R
Shift funding for 2 positions to receipt support.		
	-2.00	
Hydrogeologist II (\$58,501)		
Environmental Engineer (\$59,777)		
156 Eliminate Vacant Position	(\$26,167)	R
Eliminate vacant Office Assistant III position.		
	-1.00	
157 Reduce Operating Support	(\$28,248)	R
Reduce various operating line items.		

(3.00) Water Quality

158 Shift Positions to Receipt Support	(\$242,610)	R
Shift funding for 4 positions and \$54,629 in operating expenses to receipt support in the Wetlands Restoration Program.		
	-4.00	
Environmental Specialist II (\$53,864)		
Environmental Specialist II (\$43,933)		
Environmental Specialist III (\$44,784)		
Environmental Specialist III (\$45,400)		
159 Shift Positions to Receipt Support	(\$215,834)	R
Shift funding for 5 positions to receipt support in the Groundwater section.		
	-5.00	
Environmental Engineer I (\$49,444)		
Hydrogeologist I (\$44,432)		
Office Assistant III (\$26,628)		
Hydrogeologist I (\$44,432)		
Environmental Chemist II (\$50,898)		
160 Eliminate Vacant Position	(\$35,197)	R
Eliminate vacant Hydro Technician II position in the Groundwater section.		
	-1.00	
161 Reduce Operating Support	(\$63,692)	R
Reduce various operating line items in the Groundwater section.		
162 Shift Positions to Receipt Support	(\$150,446)	R
Shift funding for 4 positions to receipt support in the Water Quality section.		
	-4.00	
Environmental Specialist II (\$40,316)		
Environmental Specialist I (\$35,874)		
Environmental Biologist I (\$39,560)		
Environmental Technician IV (\$34,696)		

Overview: 2002 Session Fiscal and Budgetary Actions

FY 02-03

163 Eliminate Vacant Position	(\$45,240)	R
Eliminate vacant Environmental Chemist II position in the Water Quality section.	-1.00	
(3.00) Water Resources		
164 Eliminate Vacant Positions	(\$87,442)	R
Eliminate 2 vacant positions.	-2.00	
Environmental Biologist II (\$51,513)		
Environmental Specialist I (\$35,929)		
165 Reduce Operating Support	(\$48,396)	R
Reduce various operating line items.		
(5.00) Reserves and Transfers		
166 Reduce Grant Funds	(\$190,000)	R
Reduce grant funds for research projects recommended for funding by the NC Water Quality Workgroup.		
167 Reduce Partnership for the Sounds	(\$52,760)	R
Reduce funds to Partnership for the Sounds by 10.2%.		
168 Resource Conservation and Development Councils	\$90,000	NR
Provides each of the State's ten Resource Conservation and Development Councils with a grant of \$9,000.		
(6.00) Wildlife Resources Commission		
169 Reduce Beaver Control Program	(\$51,000)	R
Reduce funds to the Beaver Control Program by 10.2% (SL.2002-126, Section 12.2).		
170 Reduce Transfer	(\$450,000)	R
Reduce transfer to the Wildlife Resources Commission for equalization of Law Enforcement Officer's salaries.		
Budget Changes	(\$9,994,113)	R
	\$90,000	NR
Total Position Changes	-114.84	
Revised Total Budget	\$148,818,587	

Special Provisions **SB 1115**

Department: Environment & Natural Resources

Section: 2.2

Title: General Fund Availability Statement

Summary: Section 2.2.(b) transfers cash balances remaining in special funds in various State departments. For the Department of Environment and Natural Resources, the following special funds were reduced:

Budget Code 24300, Fund Code 2104 - ADM Mooresville RO Vending	\$472
Budget Code 24308, Fund Code 2105 - DEE Env Educ Certification	\$10,000
Budget Code 24300, Fund Code 2331 - DAQ Air Permits	\$250,000
Budget Code 24300, Fund Code 2106 - DEH Sleep Products	\$300,000
Budget Code 24300, Fund Code 2754 - DEH GSWW System Account	\$10,900
Budget Code 24310, Fund Code 2711 - DFR Forestry Fire Supp	\$78,225
Budget Code 24310, Fund Code 2712 - DFR Forestry Restoration	\$771,333
Budget Code 24308, Fund Code 2255 - DFR Special Air Operations	\$6,759
Budget Code 24300, Fund Code 2610 - DLR Mineral Interest	\$20,000
Budget Code 24300, Fund Code 2740 - DLR Dam Safety Account	\$100,000
Budget Code 24300, Fund Code 2745 - DLR Mining Fees	\$25,000
Budget Code 24300, Fund Code 2393 - DWM Septage Fees	\$100,000
Budget Code 24308, Fund Code 2387 - DWM Hazardous Waste Fees	\$68,189
Budget Code 24300, Fund Code 2341 - DWQ Water Permits	\$1,000,000
Budget Code 24308, Fund Code 2465 - MSN Mus Nat Sci/Scientific Publicat	\$3,177
Budget Code 24308, Fund Code 2515 - SWC Agric Waste Small Farms	\$20,000
Budget Code 24308, Fund Code 2520 - SWC Animal Waste Cost Share	\$500,000
Budget Code 64302, Fund Code 6710 - Natural Heritage Trust Fund	\$3,287,582
Budget Code 24308, Fund Code 2525 - Neuse Animal Waste Cost Share	\$366,335
Budget Code 24300, Fund Code 2221 - Bladen Lakes State Forest Fund	\$440,000

Section: 12.1

Title: Grassroots Science Program

Summary: Reduces the \$3,120,000 appropriation by \$318,240 and allocates \$2,801,760 as grants-in-aid to 16 regional science museums for the 2002-03 fiscal year.

Section: 12.2

Title: Statewide Beaver Damage Control Program Funds

Summary: Reduces the \$500,000 appropriation for the Beaver Damage Control Program by \$51,000 for the 2002-03 fiscal year. Requires a minimum federal match of \$25,000 for the program.

Section: 12.5

Title: DENR Position for Scrap Tire Program

Summary: Amends the Scrap Tire Disposal Account statutes to allow the Department of Environment and Natural Resources to use revenue in the Account to support a position to assist scrap tire management programs. Also, restructures the statute for clarity.

Section: 12.6

Title: **Funds for Cleanup of Warren County PCB Landfill**

Summary: Section 12.6 (a) allows the Department of Environment and Natural Resources to use up to \$2.5 million from the Inactive Hazardous Waste Sites Cleanup Fund in the 2002-03 fiscal year for the cleanup of the Warren County PCB Landfill. Section 12.6 (b) allows the Department to use up to \$500,000 from the Water Permits Fund if the following conditions are met: 1) additional funds are necessary to complete the project and 2) all other funds available to the project have been spent or encumbered. Section 12.6 (c) states that it is the intent of General Assembly that funds authorized under this section will sufficient to complete the cleanup.

Section: 12.7

Title: **Division of Environmental Health Position Reclassi**

Summary: Reclassifies a vacant Administrative Assistant II in the Division of Environmental Health as a Environmental Engineer II and assigns the position to the On-Site Wastewater Section in the Division of Environmental Health.

Section: 12.8

Title: **Positions/Employees at Lake James and Singletary Lake State P**

Summary: Directs that certain positions at Lake James and Singletary Lake State Parks shall not be eliminated in the 2002-03 fiscal year and that the employees currently filling those positions shall not be reduced in force.

Section: 29.2

Title: **Water Resources Development Projects/Use Dredge Spoils to Nourish Beach**

Summary: Allocates \$31,158,000 for various water resources development projects as follows:

- (1) Wilmington Harbor Deepening - \$20,100,000
- (2) Manteo (Shallowbag) Bay Channel Maintenance- \$3,100,000
- (3) Wilmington Harbor Maintenance - \$500,000
- (4) B. Everett Jordan Lake Water Supply - \$90,000
- (5) John H. Kerr Reservoir Operations Evaluation - \$800,000
- (6) Oregon Inlet Jetties - \$70,000
- (7) Silver Lake Harbor Maintenance - \$600,000
- (8) West Onslow Beach (Topsail Beach) Nourishment - \$203,000
- (9) Wanchese Marsh Creation - \$180,000
- (10) Bogue Banks Shore Protection Study - \$315,000
- (11) Surf City/North Topsail Beach Protection Study - \$200,000
- (12) Walter Slough Maintenance Dredging - \$58,000
- (13) Currituck Sound Water Management Study - \$400,000
- (14) Deep Creek (Yadkin County) Watershed Management - \$500,000
- (15) State Local Projects - \$2,900,000
- (16) Aquatic Weed Control, Lake Gaston and Statewide - \$300,000
- (17) Swan Quarter (Hyde County) Flood Control Dikes - \$100,000
- (18) North Topsail Beach Feasibility Study (nonfederal) - \$250,000
- (19) Neuse River Basin Feasibility Study - \$100,000
- (20) Edgewater Canal (Camden County) Drainage - \$25,000
- (21) Emergency Flood Control Projects - \$187,000
- (22) Projected Feasibility Studies - \$80,000
- (23) Planning Assistance to Communities - \$100,000

Section 29.2(c) allows adjustments of the allocations among projects if actual costs vary from estimated costs. Provides for the use of available funds resulting from delayed projects. Requires reversion of funds allocated for state and local projects that remain unexpended or unencumbered at the end of 2002-03 fiscal year.

Section 29.2(d) requires quarterly reports on the use of funds to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division and the Office of State Budget and Management.

Section 29.2(e) allows the Director of the Budget to use available funds to pay the required state match for any additional funds that become available during the 2002-03 fiscal year for water resources or beach renourishment projects.

Section 29.2(f) amends the General Permits section of the Coastal Area Management Act (G.S.113A-118.1) to allow the use of riprap in the construction of groins in estuarine and public trust waters on the same basis as the Coastal Resources Commission allows the use of wood.

Section 29.2(i) amends the statutes related to "permits to dredge or fill in or about estuarine water or State-owned lakes" (G.S. 113-229) to require that dredged material be disposed of on the ocean beach or shallow active nearshore area where it is environmentally acceptable and compatible with other uses of the beach.

Section: 29A.15-16

Title: **Department of Environment and Natural Resources Fees**

Summary: Increases the annual Food and Lodging fee from \$25 to \$50. Establishes a new \$200 fee at the state level for plan review of plans for prototype franchised or chain facilities for food establishments. Allows local health departments to established a fee up to \$200 at the local level for plan reviews that are not subject to review at the state level.

Special Provisions **SB 1217**

Department: Environment & Natural Resources

Section: 46

Title: **North Carolina Aquariums**

Summary: Amends G.S.143B-289.44(a) by adding "renovation" and "expansion" as allowable uses of the Fund. Also amends G.S.143B-289.44(b) by deleting the requirement that the General Assembly authorize any expenditure of monies from the Fund.

Special Provisions **SB 1115**

Department: Environment & Natural Resources - Clean Water Management Trust Fund

Section: 12.9

Title: **Appropriation from Clean Water Management Trust Fund**

Summary: Reduces the \$70 million appropriation to the Clean Water Management Trust Fund by \$3.5 million for the 2002-03 fiscal year.

Housing Finance Agency

FY 02-03

\$5,300,000

(\$540,600) R

(\$540,600) R

\$4,759,400

Special Provisions **SB 1115**

Department: Housing Finance Agency

Section:

Title: **(No Special Provisions reported)**

Summary:

Overview: 2002 Session Fiscal and Budgetary Actions

Labor

GENERAL FUND

FY 02-03

Total Budget Approved 2001 Session

\$15,117,906

Budget Changes

Administration

173 Reduce Operating Support	(\$9,500)	R
Reduce various operating line items in the Commissioner's Office.		
174 Eliminate Filled Position	(\$55,988)	R
Eliminate filled Agency Safety Program Director II position in the Commissioner's Office.	-1.00	
175 Shift Position to Receipt Support	(\$36,722)	R
Shift funding for Accounting Technician II position in the Budget & Management section to receipt support. Position is now supported by elevator and amusement device inspection fees.	-1.00	
176 Reduce Operating Support	(\$12,063)	R
Reduce various operating line items in the Information Office.		
177 Reduce Operating Support	(\$9,062)	R
Reduce various operating line items in the Information Technology section.		
178 Reduce Operating Support	(\$4,702)	R
Reduce maintenance budget in the Publications section.		

Agriculture Safety & Health

179 Shift Position to Receipt Support	(\$20,697)	R
Shift funding for .48 FTE of Safety Officer position to receipt support. This action will make this position 100% federally funded.	-0.48	

Apprenticeship

180 Eliminate Vacant Position	(\$28,174)	R
Eliminate vacant Office Assistant IV position.	-1.00	

Arbitration/Conciliation

- 181 Eliminate Operating Support** (\$2,677) R
 Eliminate operating budget. This action closes out the budget for the Arbitration/Conciliation Program whose sole position was eliminated in FY 2001-02. The Program's function has been absorbed by the Legal Affairs & Employment Mediation Division.

Elevator & Amusement Device

- 182 Eliminate General Fund Appropriation** (\$131,934) R
 Shift support for operations to receipts from elevator and amusement device inspections. This action will make the Bureau entirely receipt-supported.

Labor Standards

- 183 Eliminate Operating Support** (\$14,411) R
 Eliminate operating budget in Private Personnel Services Bureau. This action closes out the budget for the Bureau, whose function has been absorbed by the Wage & Hour Bureau.
- 184 Reduce Operating Support** (\$33,445) R
 Reduce various operating line items in the Employment Discrimination Bureau.
- 185 Reduce Operating Support** (\$40,820) R
 Reduce various operating line items in the Wage & Hour Bureau.

Mine & Quarry

- 186 Reduce Operating Support** (\$10,000) R
 Reduce various operating line items.

Occupational Safety & Health (OSH)

- 187 Reduce Operating Support** (\$201,611) R
 Reduce various operating line items.
- 188 Shift Positions to Receipt Support** (\$70,581) R
 Shift funding for 1.90 positions to receipt support.
 -1.90
 OSHA Safety Officer (\$46,650)
 Processing Assistant III (0.90 FTE) (\$23,931)
- 189 Eliminate Vacant Positions** (\$74,063) R
 Eliminate 2 vacant positions.
 -2.00
 Industrial Hygiene Inspector (\$48,305)
 Processing Assistant III (\$25,758)

Overview: 2002 Session Fiscal and Budgetary Actions

FY 02-03

190 Eliminate Filled Positions	(\$200,010)	R
Eliminate 3 filled positions.		
	-3.00	
OSHA Safety Supervisor (\$63,961)		
OSHA Industrial Hygiene Supervisor (\$69,961)		
OSHA Safety Supervisor (\$66,088)		
191 Reduce Salary & Benefits	(\$33,795)	R
Reduce salary reserve, matching social security, and retirement line items.		
192 Reduce Operating Support	(\$31,419)	R
Reduce legal services line item for the OSH Review Board.		
193 Transfer Program & Personnel	\$69,949	R
Transfer HR Partner for Industrial Hygiene position and employee, and \$500 in associated operating costs from the Office of State Personnel. This action will consolidate industrial hygiene services provided to state agencies/universities.	1.00	
Budget Changes	(\$951,725)	R
Total Position Changes	-9.38	
Revised Total Budget	\$14,166,181	

Special Provisions **SB 1115**

Department: Labor

Section: 2.2

Title: **General Fund Availability Statement**

Summary: Section 2.2.(b) transfers cash balances remaining in special funds in various State departments.
For the Department of Labor the following special funds were reduced:

Pre-Apprenticeship-PBC - \$491,332

Overview: 2002 Session Fiscal and Budgetary Actions

N.C. Biotechnology Center

GENERAL FUND

FY 02-03

Total Budget Approved 2001 Session

\$6,270,468

Budget Changes

Business & Technology Development

194 Reduce Revolving Loan Fund

(\$300,000) R

Reduce funding for Smøll Business Revolving Loan Fund.

Corporate Affairs

195 Shift Position to Non-State Funding

(\$42,526) R

Shift funding for position to non-state sources.

General & Administrative

196 Shift Expenses to Non-State Funding

(\$34,521) R

Shift funding for facility operations expenses to non-state sources.

HMU Initiative

197 Eliminate Balance of Restricted Funds

(\$250,000) NR

Transfer the unexpended balance of restricted funds from the Historically Minority University Biotechnology Initiative to the Center's general operating budget. Reduce General Fund appropriation by an equal amount. This action will close out the Biotechnology Center's financial relationship with the HMU Initiative, which was transferred to the University System in FY 2001-02.

Budget Changes

(\$377,047) R

(\$250,000) NR

Total Position Changes

Revised Total Budget

\$5,643,421

Special Provisions **HB 1734**

Department: N.C. Biotechnology Center

Section: 6

Title: **Capital Planning Costs for Biopharmaceutical Training Center**

Summary: Section 6 authorizes the NC Biotechnology Center, along with the State Board of Community Colleges and Board of Governor's of UNC to initiate planning and development of a new biopharmaceutical/bioprocess manufacturing training center and related facilities to be located at various community colleges.

Overview: 2002 Session Fiscal and Budgetary Actions

Rural Economic Development Center

GENERAL FUND

FY 02-03

Total Budget Approved 2001 Session

\$5,090,749

Budget Changes

Grant Programs

198 Supplemental Funding Program (\$280,251) R
Reduce funding for grants.

Water and Sewer Grants (\$255,251)
Water, Sewer, and Business Development Grants (\$ 25,000)

[S.L. 2002-126, Section 13.11(b)]

199 Reduce Research & Demonstration Grants (\$44,000) R
Reduce funding for Research and Demonstration Grants.
[S.L. 2002-126, Section 13.11(a)].

200 Reduce CDC Program (\$56,200) R
Reduce funding for grants to Community Development
Corporations.[S.L. 2002-126 Section 13.11(b)].

Microenterprise Loan Program

201 Reduce Local Support (\$23,400) R
Reduce funding to local lending sites. [S.L. 2002-126
Section 13.11(b)].

Opportunities Industrialization Centers

202 Reduce Operating Support (\$20,000) R
Reduce operating support to Opportunities
Industrialization Centers.(S.L.2002-126, Section 13.12).

Budget Changes (\$423,851) R

Total Position Changes

Revised Total Budget **\$4,666,898**

Special Provisions **SB 1115**

Department: Rural Economic Development Center

Section: 13.11

Title: Rural Economic Development Center

Summary: Appropriates \$1,744,749 for the 2002-2003 fiscal year to the Rural Economic Development Center (REDC) and allocates funding among various programs and administrative responsibilities. Allocates \$2,542,149 for the 2002-03 fiscal year as follows:

- \$ 810,000 CDCs previously receiving State funds
- \$ 207,800 New and emerging CDCs
- \$ 50,000 REDC for CDC administration
- \$ 210,600 Microenterprise Loan Program
- \$1,063,749 Supplemental Funding Program
- \$ 200,000 Agricultural Advancement Consortium

Section: 13.12

Title: Opportunities Industrialization Center Fur

Summary: Allocates \$95,000 to each of the following Opportunities Industrialization Centers: Wilson, Rocky Mount, Kinston and Lenoir County, and Elizabeth City.

**JUSTICE
&
PUBLIC SAFETY**

Overview: 2002 Session Fiscal and Budgetary Actions

Correction

GENERAL FUND

FY 02-03

Total Budget Approved 2001 Session

\$930,964,916

Budget Changes

Alcohol and Chemical Dependency

1 DART Cherry Program

(\$292,434) R

DART Cherry is a 300 bed residential treatment program for DW parolees, other parolees, and probationers. Staffing is reduced by 10 positions--six substance abuse workers and four counselors--by increasing caseloads.

-10.00

2 DART In-Prison Residential Programs

(\$1,696,261) R

The Governor's budget recommended eliminating all but one medium custody in-prison residential substance abuse treatment program, a portion of the in-prison non-residential programs (e.g. aftercare, short-term treatment programs), and 45% of central office staff. By contrast, this reduction action maintains several of the medium custody prison residential programs and all of the funds for non-residential prison programs such as aftercare and short-term treatment. This reduction action has four components (1) closes the two close custody residential programs (Pasquotank and Marion) since a 35 to 90 day program is of limited value to inmates with long-term sentences (three other positions shown in Pasquotank's position count are actually for the Tyrrell minimum custody program and are not eliminated); (2) closes four medium custody residential programs (Foothills, Caswell, Brown Creek, and Polk Youth); (3) reduces 15 staff statewide by increasing caseloads; and, (4) reduces Central Office staff by two positions (Correctional Administrator I and Substance Abuse Program Consultant, both vacant).

-49.00

3 Regional Offices in DACDP

(\$351,088) R

Due to reductions in substance abuse treatment staffing statewide and closing of residential treatment programs in five prisons, it is recommended that the number of Regional Offices be reduced from four to two.

-6.00

Central Administration

4 Funding Reserve

DOC is directed to delay spending in various areas in order to generate \$10 million in one-time availability.

(\$10,000,000) NR

5 Reduce Central Administration Budget

(\$515,267) R

Nine DOC management and administrative positions are eliminated as recommended in the Governor's budget.

-9.00

Corr. Psychological Program Director
 Special Asst to Secy.
 Social Research Assoc. II
 Social Research Asst I
 Corr. Training Coordinator (Vacant)
 Personnel Supv. I (Vacant)
 Personnel Analyst I
 Asst Secy Program Development (Vacant)
 Info Comm Specialist (Vacant)

6 MIS Contract Conversion

(\$355,155) R

Expenditures for MS contracts will be reduced by converting contract funds to four MS positions. The savings result from canceling contract positions and fees charged for contracts. The four positions are Telecommunication Systems Analyst, and three Applications Analyst/Programmer Specialists (one at grade 83 and two at 81)

4.00

7 Delay Vehicle Replacement

DOC will delay purchase of replacement vehicles for one more year

(\$1,000,000) NR

8 Cancel Training Facility Contract

(\$183,000) R

DOC uses a Fort Fisher facility operated by the National Guard for training of staff in Eastern N.C. DOC will cancel contract and identify less expensive training facilities.

9 Reduce Funding in Training Division

(\$181,063) R

Two vacant positions are eliminated from the Office of Staff Development and Training -- a Correctional Training Instructor II and an Office Asst. IV. Non-salary items for the Office are also reduced in the areas of phone services, per diem for meals and rent of motor vehicles.

-2.00

Community Corrections**10 Close IMPACT programs**

(\$4,066,595) R

The IMPACT Boot Camp Program will be closed with an effective date of August 15, 2002. The positions eliminated include 53 positions each at IMPACT East and IMPACT West and 2 in Raleigh. Of the funds made available from this termination, \$390,312 shall be retained in order to restore 12 community work crews at prisons near the communities of Hoffman and Morganton (2 each at Southern, Anson, Robeson and Sanford; 1 each at Marion, Rutherford, Catawba, Caldwell). These crews will be supervised by 12 correctional officer positions, reducing the net position reduction to 96. (SB 1115 Sec.17.18)

-96.00

11 Reduction in Funding of Non Profits

(\$25,649) R

Pass through funding to community corrections programs is reduced in 2002-3 as follows: 10% reductions for Harriet's House, Women at Risk and the John Hyman Foundation; a 16.7% recurring reduction (\$25,649) in the state office expenses for Summit House. As of May 1, 2003, all state funds to Summit House shall be used in the local programs only.

(\$75,000) NR

Operating funds for Summit House were reduced 10% in the 2001 budget. (SB 1115, Sec. 17.15)

12 Electronic Monitoring Cost Sharing

(\$151,442) R

The General Fund cost of the Electronic Monitoring program is reduced to reflect cost sharing with outside agencies that utilize the program (local law enforcement and the Department of Juvenile Justice & Delinquency Prevention). In addition, 1 position (EHA Manager) is eliminated. (SB 1115, Sec. 17.10)

-1.00

13 Probation and Parole Staffing

(\$3,040,169) R

The following vacant positions are eliminated in the Division of Community Corrections: 25 Office Assistants, 27 PPO I (community), 8 PPO II (Intermediate), 7 Intensive Officers, 17 Surveillance Officers and 5 Community Service Work Program coordinators. Based on current population projections, this will result in average caseloads of 25.8/77.6/101 for intensive/intermediate/community. The Office Assistants may be either OAs assigned to probation-parole officers or to the community service work program

-89.00

14 Vacant Trainer Position

(\$38,913) R

A vacant trainer position is eliminated. This leaves 4 trainers for the Division of Community Corrections. (4550-1030-0060-167)

-1.00

15 Criminal Justice Partnership Program

(\$414,166) R

Funding is reduced for the Criminal Justice Partnership Program by \$1.66 Million due to (1) restricting programs that were not operating as of Sept 2002 to 75% of their annual contract amount, assuming October 1 reopenings; (2) eliminating funding for 2002-3 for non-operational programs in Caswell and Union counties; (3) implementing a cost reduction program in day reporting centers by substituting probation officers or the TASC program for case managers previously paid with CJPP funds. This adjustment will be made in the following programs: Albemarle, Buncombe, Catawba, Cumberland, Davidson, Durham, Forsyth, Gaston, Guilford, Mecklenburg, Onslow, Randolph, Wake, Wayne, and the Vance-Granville-Franklin-Warren program; In each case, the dollar reduction for the program will be no more than 12.5% of their 2001-2 budget; (4) eliminating 1 research analyst position funded through the CJPP budget and related operational expenses. (SB 1115, Sec. 17.13)

(\$1,245,926) NR

-1.00

16 Reduce Operational Costs for Drug Screening

(\$162,216) R

The operational costs for the 6 drug screening labs operated by DCC will be reduced due to new technology and other efficiencies.

17 Reduction in Automobile Expenses

(\$88,452) R

The Division will be able to reduce the number of leased vehicles from the Department of Administration, based on actual usage.

18 Contractual Parole Revocation Hearing Officers

(\$115,000) R

Parole Revocation Hearings are handled by contract employees. This item reduces the budget to reflect actual spending.

Department Wide**19 Non-Salary Line Items**

(\$1,378,951) R

(\$17,927,396) NR

DCC will reduce non-salary expenditures such as travel, equipment, and supplies system wide for one more year. Recurring reductions are: \$200,000 equipment; \$200,000 rent; facility/hardware supplies \$600,000 and Utilities, \$378,951. The total recommended reduction by DCC was \$18,621,049. The Utilities recurring reduction of \$378,951, an additional reduction of \$100,000 in facility/hardware supplies, and an additional non-recurring cut brings the total reduction to \$19.3 million.

Parole and Post Release Supervision**20 Further Reductions to Parole Commission**

(\$226,108) R

The General Assembly has directed that the Commission reduce its budget by a minimum of 10% each year due to declining parole cases. This reduction would cut approximately 14%. Five positions are eliminated: three parole case analysts (one vacant), an Office Assistant V (vacant), and Chief of Operations.

-5.00

Prisons**21 Inmate Labor Projects**

(\$450,000) R

DCC is authorized to reduce funding for contractual employees assigned to work on inmate labor construction projects and replace this funding with receipts from other sources. The primary work is carried out by inmates.

22 Reduce Prison Administration Costs	(\$481,971)	R
Eliminate nine positions in the central office of the Division of Prisons as recommended in the Governor's budget.	-9.00	
Program Asst V (Vacant)		
Nurse Clinician II (Vacant)		
Corr Programs Director III (Vacant)		
Psychological Program Director III (Vacant)		
Educational Services Specialist (Vacant)		
Office Asst IV		
Office Asst III (Vacant)		
Corr Programs Director III (Vacant)		
Social Worker II (Vacant)		
23 Security Staffing -- Lieutenants	(\$531,557)	R
Sixteen lieutenant positions are eliminated at prisons with high lieutenant to sergeant ratios or a high number of sergeants.	-16.00	
24 Reduce Security Staffing: Update Relief Formula	(\$4,285,845)	R
DOC assigns a "relief formula" to each security post to determine the number of positions needed. This relief formula accounts for leave usage, training hours and so on to ensure security posts are always covered. The DOC relief formula has not been adjusted to account for reduced leave usage for officers both on eight and twelve hour shifts. Adjusting the relief formula to 1.73 per 24 hour post compared to the current 1.76 formula, and similar reductions for other posts, allows for a reduction of 135 officer positions systemwide. (SB 1115, Section 17.5)	-135.00	
25 Close Blue Ridge Correctional Center	(\$1,124,095)	R
Blue Ridge Correctional Center will be closed. The cost per day was \$96 in Fy 2001. The reduction amount includes a 50% reduction in the inmate budget. Five positions and \$150,000 are transferred to Western Correctional Center to continue the Blue Ridge component of the BRIDGE forestry program which now operates out of Blue Ridge and Western.	-30.00	
26 Close Henderson Correctional Center	(\$1,335,978)	R
Henderson Correctional Center will be closed. The reduction amount includes a 50% reduction in the inmate budget.	-33.00	
27 Close Rowan Diagnostic Center	(\$144,598)	R
Due to overstaffing in relation to workload standards, Rowan and other diagnostic centers were reduced by eight positions in 2001-02. Rowan has a relatively small workload that can be absorbed at other diagnostic centers.	-5.00	
28 Reduce Inmate Food Budget	(\$436,000)	R
Reduce inmate food budget through further system efficiencies.		

29 Reduction of Inmate Medical Costs

(\$3,575,166) R

DOC recommended reducing funding for the inmate medical program by implementing two major program efficiencies: (1) eliminating positions at eight smaller prisons and having medical services provided by nearby larger facilities; and (2) eliminating certain medical contracts and contract positions and then converting some contract positions to lower cost state positions.

-36.00

30 Reduce Contract for Mobile Surgery Unit

(\$616,874) R

DOC pays a fixed contract rate for use of a Mobile Surgery Unit at Central Prison. Based on a lower utilization rate than anticipated, the fixed contract rate can be reduced. (SB 1115, Section 17.12)

31 Reduce Prison Chaplain Program

(\$914,853) R

It is recommended that 22.4 chaplains, one central office chaplain position (contract), and one regional coordinator position be eliminated. The chaplain program reduction assumes that prisons with 400 or fewer inmates will rely on community funded or volunteer chaplains. Prisons with 400 to 700 inmates will be reduced from 2 to 1 chaplains and rely on community funded and volunteer chaplains for chaplain services. This leaves 35.6 state chaplain positions and 13 contract chaplains in the system (SB 1115, Section 17.17)

-23.40

32 Inmate Community Work Crews

(\$2,112,119) R

Eliminate 21 of 164 inmate work crews and assign an additional 39 crews to do litter control work for DOT in carrying out SB 1014. 21 correctional officer and four sergeant positions are eliminated. Crews will not be eliminated at locations where only one or two crews currently operate. Reduction amount of \$2,112,119 includes approximately \$1.3 million for increasing receipts from DOT.

-25.00

Crews eliminated are:

From 3 crews to 2: Anson*, Cabarrus, Guilford, Henderson, Warren (-5)

From 4 crews to 3: Caldwell*, Catawba*, Fountain (Edgecombe), Gaston, Marion*, Robeson*, Rutherford* (-7)

From 6 crews to 4: Bladen, Tillery (-4)

From 5 crews to 4: Duplin, Sanford*, Southern*, Wilkes (-4)

Other reductions: Pasquotank from 8 to 7 (-1)

Elimination of 4 of 22 sergeants to be determined by DOC.

In the 8 locations marked with an asterisk, a crew will be restored to replace IMPACT crews eliminated elsewhere in this budget. That leaves the net reduction in inmate community work crews at 13. (SB 1115, Section 17.6)

33 Inmate Clothing Budget

(\$500,000) R

Reduce budget for inmate clothing by reducing allocation of clean clothes to four days a week, the minimum required by the courts in lawsuit settlements.

34 Inmate Education Programs

(\$432,563) R

Due to a decline in youthful offender inmates, DOC can further reduce education staff. The following positions are to be eliminated:

-9.00

4 teachers
1 Office Asst
2 Library Tech Assts
1 Librarian
1 Guidance Counselor

All nine positions are vacant.

35 Reduce Maintenance Staffing

(\$1,422,745) R

DOC recommended eliminating 8 maintenance positions; another 32 positions will be eliminated due to increased system efficiencies and increasing inmate to staff ratios from 64 to 1 to 70 to 1.

-40.00

36 Safekeeper Payments

(\$800,000) R

Safekeepers are county prisoners who are transferred to the State. Counties pay DOC \$18 a day to hold safekeepers. Current law excludes payment to DOC if an offender being held in one county is a resident of another. This reduction is based on increased receipts due to deleting the residency exclusion from the General Statutes. (SB 1115, Section 17.1)

37 Operating Funds for New Prisons

\$4,838,810 R

\$2,275,720 NR
476.00

The three new 1000 bed prisons authorized by the General Assembly in 2001 are scheduled for completion in FY 2002-03 and FY 2003-04. Funds are appropriated for startup for the three prisons (language corrected to state "three prisons" instead of "two of three" to match intent and funding listed below) with the bulk of the funds for Scotland, which will be completed in May, 2003. The total funding in FY 2002-03 is \$7,114,530 to be allocated as follows:

Scotland:	\$6,380,939	410 positions
Anson/Lanesboro:	\$ 497,900	58 positions
Alexander:	\$ 235,961	8 positions

38 Energy for Committed Offenders, Inc. (ECO)

DOC contracts with ECO for 20 minimum custody female beds. The contract amount is reduced for 02-03.

(\$24,264) NR

39 Inmate Infraction Receipts

(\$150,000) R

DOC charges inmates \$10 for every infraction conviction. It is estimated receipts will exceed the budget so a reduction in the General Fund can be taken.

40 Alien Assistance Receipts

(\$310,000) NR

DOC receives federal funds for housing illegal aliens convicted of crimes in N.C. It is estimated that receipts will exceed the budgeted amount by \$310,000 in FY 03. Program is likely to end after FY 03 so the reduction is non-recurring.

41 Reduce Utility Custody Posts

(\$1,506,913) R

DOC indicates it can reduce one utility post at most prisons with 260 or more inmates. These posts include canteen/mailroom and clothes house.

-48.00

42 Reduce Transportation Officers

(\$1,381,337) R

DOC indicates it can reduce transportation officers statewide and still fulfill inmate transportation needs by eliminating one transportation post at most prisons with 300 or more inmates.

-44.00

43 Reduce Clerical Staff in Prison Programs	(\$959,232)	R
In lieu of deeper cuts in professional program staff, DOC indicates it can reduce clerical positions systemwide. Reductions include 17 office assistant III's and 19 processing assistant III's	-36.00	
44 Abolish Prison Administrative Clerical Positions	(\$936,665)	R
Thirty-five office assistant III's assigned to administration at 35 prisons are eliminated.	-35.00	
45 Reduce Correctional Sergeant Positions	(\$944,355)	R
Twenty-six sergeant positions are reduced at 17 different prisons. These include larger institutions with ratios below one position for every 7.96 inmates and small to medium size prisons with one more sergeant than needed for standard shift rotation.	-26.00	
46 Inmate Medical Reorganization	(\$556,529)	R
Twelve vacant mental health-related positions are abolished. DOC believes through internal reorganization, services can be maintained after these reductions.	-12.00	
47 Prison Administration -- Additional Reductions	(\$149,697)	R
Four additional vacant administrative positions are abolished: Office Asst. III(2) , Nurse Clinician I, and an Inmate Hearing Officer.	-4.00	
48 Reduce Classification Coordinator Positions	(\$411,031)	R
Eleven classification coordinators are eliminated at 11 different prisons. The duties of these positions, which are to review inmate background and behavior to determine custody levels, can be absorbed by Program Director I's at these prisons.	-11.00	
49 Premium Holiday Pay	\$1,305,671	R
Funds are appropriated for special holiday pay for DOC custody officers. DOC has been paying special holiday pay to correctional officers since June of 2000 in order to improve recruitment and retention. The special pay is at 75% over regular pay (50% is standard). This pay change has been funded previously with lapsed salaries. (SB 1115, Section 17.4)		
50 Funding to Operate Pamlico and Mt. View	\$2,238,952	R
DOC has been partially funding the operations of Pamlico and Mountain View prisons with lapsed salaries since DOC took over the prisons from the private sector. This recommended funding will fully fund the salary portion of the budget.		

51 Fund Inmate Medical Budget

\$8,455,377 R

DOC's continuation budget for inmate medical is adjusted to match actual expenditures. Areas to be funded include prescription drugs, hospital and provider services, and contractual medical employees. (SB 1115, Section 17.9)

Budget Changes	(\$22,603,242)	R
	(\$28,306,866)	NR
Total Position Changes	-366.40	
Revised Total Budget	\$880,054,808	

Special Provisions **SB 1115**

Department: Correction

Section: 2.2

Title: **General Fund Availability Statement**

Summary: Section 2.2 transfers cash balances from special funds to the General Fund for various state agencies. This provision includes one-time transfers for FY 03 from two DOC Special Funds -- \$500,000 from the Inmate Canteen/Welfare Fund and \$2 million from the Prison Enterprises Fund. Also 2.2 (d) rewrites the language from SB 1005 in the 2001 Session to ensure that a transfer of another \$500,000 in Enterprises Funds will be recurring as intended in the 2001 budget

Section: 17.1

Title: **Counties Transferring Safekeepers to Correction to Reimburse Department Regardless of Safekeepers' Residence**

Summary: Counties are required to reimburse Correction for the cost of holding county prisoners designated as "safekeepers" in a State prison. This provision amends the safekeeper General Statutes to close a loophole that prevented Correction from being reimbursed if a safekeeper was not a resident of the county transferring the safekeeper to Correction.

Section: 17.2

Title: **Reimburse Counties for Housing and Extraordinary Medical Costs for Offenders Awaiting Transfer to State Prison System**

Summary: Continues authority for DOC to use funds available to reimburse counties for cost of housing state prisoners in county jails while awaiting transfer to the State prison system. The reimbursement rate for this "jail backlog" is \$40 a day.

Section: 17.3

Title: **Report on Inmates Eligible for Parole**

Summary: Clarifies type of information to be provided by the Post-Release Supervision and Parole Commission to various legislative committees. This information includes a summary of inmates eligible for parole versus those paroled, a comparison of the average time served by inmates subject to Pre-Fair and Fair Sentencing, and average time served by inmates convicted under Structured Sentencing for comparable offenses. Also amends reporting frequency to twice a year rather than quarterly.

Section: 17.4

Title: **Shift Pay and Holiday Pay for Security Staff**

Summary: Authorizes DOC to use appropriated funds for special holiday pay for correctional officers, as funded in the 2002-03 budget. Also authorizes DOC to use lapsed salaries one more year for payment of special supplemental weekend shift premium pay to correctional officers. DOC is also required to report on the benefits of these special pay incentives as well as the Department's progress in converting correctional officer work shifts from three eight-hour shifts to two 12-hour shifts, where practical.

Section: 17.5

Title: **Department of Correction Security Staffing Formulas**

Summary: Directs DOC to conduct a two-part review of security staffing: first, DOC is to update security post audits at each prison; second, DOC is to update the staffing relief formula that accounts for training, leave and other factors that impact staff needs and availability. The post audits are to be completed with the assistance of an outside consultant. A report on the results of the review is due April 1, 2003 to the JPS Appropriations Subcommittees.

Section: 17.6

Title: **Community Work Crews**

Summary: Authorizes DOC to use up to 39 inmate community work crews for DOT litter control projects and requires DOT to transfer \$1.3 million from the Highway Fund to cover the cost of these crews. The provision also requires DOC, to the extent possible, to arrange for community service workers to perform work for state and local governments that will be discontinued due to a reduction in inmate crews or conversion to DOT litter crews. DOC is also required to identify the type and cost of all inmate labor supplied to public agencies for which the department is not reimbursed. A report documenting this information and presenting alternative methods for charging public agencies for this labor and for supervising these projects is due March 1, 2003.

Section: 17.7

Title: **Substance Abuse Program**

Summary: Updates the General Statutes that authorized the DOC substance abuse treatment programs. The primary changes are to reflect that such programs can be established at any inmate custody level and that the number of weekly program participants is not limited to 25 inmates per week. The revised statute also drops references to various position classifications in the program.

Section: 17.8

Title: **Use of Closed Prison Facilities**

Summary: Modifies provision guiding the process for determining the best use of closed prison facilities. The only change in the provision is to allow DOC to convert any closed prison from one custody level to another. The current provision only allowed conversion from a medium to minimum custody facility.

Section: 17.9

Title: **Medical Budget for Prescription Drugs**

Summary: Continues authorization for DOC to use lapsed salaries or non-salary funds to fund inmate prescription drug purchases if expenditures are projected to exceed the continuation budget. DOC is required to consult with Governmental Operations prior to exceeding the budget.

Section: 17.10

Title: **Electronic Monitoring Costs**

Summary: Authorizes the Department of Correction to be reimbursed for the costs of providing electronic monitoring services to other State or local agencies, in an amount not exceeding actual costs. Requires the Department to report on efforts to increase the use of electronic monitoring and document its use geographically.

Section: 17.11

Title: **Collection of Offender Fees**

Summary: Directs the Department of Correction and the Administrative Office of the Courts to work together to improve the rate at which offender fees are ordered and collected. The departments shall report to Appropriation Chairs by April 1, 2003 on their efforts to improve collection rates and on ideas for improvement.

Section: 17.12

Title: **Mobile Medical Operating Room**

Summary: Requires DOC to continue a contract for a mobile medical operating room at a fixed contract rate that more clearly reflects usage. DOC is encouraged to use the mobile unit for additional procedures beyond the fixed rate contract if such use is cost efficient and medically feasible. DOC is required to study the feasibility of continuing the contract and report by March 1, 2003.

Section: 17.13

Title: **Criminal Justice Partnership Program**

Summary: This provision provides details on the \$1.66 million reduction in the Criminal Justice Partnership Program as follows; (1) no funding is provided for Caswell and Union counties in 2002-3; (2) programs that were closed during the 1st quarter of the fiscal year will be eligible for no more than 75% of the funds they would have otherwise received; (3) counties operating day reporting centers shall use probation officers or TASC for case management in lieu of using CJPP funds and their implementation funding will be reduced no more than 12.5%. The provision also repeats language from 2001 allowing DOC to reallocate funds that would otherwise be unspent among counties in an effort to maintain level of service. The Department of Correction (Division of Community Corrections) shall report to Appropriation Chairs on changes under this provision within 60 days of enactment of the budget.

Section: 17.14

Title: **Conversion of Contracted Positio**

Summary: The final budget for DOC includes reductions due to conversion of contracted medical positions to State positions. This provision authorizes this action and directs DOC to use existing vacancies, where practical, when establishing these positions. DOC is required to report to Governmental Operations and the Chairs of Justice and Public Safety Appropriations Subcommittees on all position conversions by location and on the savings due to this action.

Section: 17.15

Title: **Summit House Appropriation**

Summary: Details reduction in funding for the Summit House residential program for female offenders. The 10% cut implemented last budget year is increased to reflect an additional \$25,649 reduction in the expenses of the state office. No state funds shall be used for state office expenses after May 1, 2003.

Section: 17.17

Title: **Prison Chaplain Study**

Summary: Requires DOC to study the feasibility of converting its prison chaplain program into a community-based program emphasizing volunteers and community-funded chaplains. DOC is also to consider the use of contract chaplains in areas where community-based chaplains are not available. A report is due to the JPS Appropriations Chairs on March 1, 2003. The report is to include a determination of the feasibility of a statewide contract for chaplain services.

Section: 17.18

Title: **Eliminate IMPACT Program**

Summary: This provision deletes statutory references to the IMPACT program as a special condition of probation since the program is closed effective August 15, 2002. Of the funds that were originally budgeted for the IMPACT program, \$390,312 will be used by DOC to replace 12 inmate work crews at minimum security prisons.

Special Provisions **SB 1217**

Department: Correction

Section: 77

Title: **Technical Corrections: Clarify Earned Time for Medically and Physically Unfit In**

Summary: The 2001 budget bill, SB 1005, included a provision authorizing DOC to provide earned time credit off an inmates maximum sentence if they are unable to earn work credits because of their physical or medical condition. This credit was to be earned by good behavior or other criteria established by DOC. This provision clarifies that inmates sentenced under sentencing laws prior to Structured Sentencing can also receive credit for sentence reduction if they meet the established criteria.

Section: 41

Title: **Technical Corrections: Exemption from Certificate of Need**

Summary: DOC has an exemption from certificate of need review by DHHS for inmate substance abuse treatment programs. This exemption was codified (G.S. 148-19.1) in the 2001 budget bill, SB 1005. The change in SB 1217 for 2002 is a clarifying change that ensures the exemption is included in a related statute (G.S. 131E-184 (d)).

Crime Control and Public Safety

GENERAL FUND

FY 02-03

Total Budget Approved 2001 Session

\$28,493,506

Budget Changes

Administration

52 Eliminate Positions (\$114,589) R

Eliminate 2 vacant positions in the Office of the Secretary:

-2.00

4960-0000-0010-402 Agency Legal Specialist II
4910-0000-0001-408 Public Relations Officer

53 Eliminate Vacant Boxing Commission Position (\$35,683) R

Eliminate one vacant office assistant position in the Boxing Commission:

-1.00

4910-0000-0000-173 Office Assistant IV

54 Budget Boxing Commission Receipts (\$40,000) R

The continuation budget for the Office of the Secretary is adjusted to reflect Boxing Commission receipts.

55 Reduce Operating Expenses (\$117,449) R

Reduce continuation budget line items for travel, equipment, supplies, contract, etc.

56 Administrative Costs (\$1,100,000) R

The State Highway Patrol comprises 77 percent of all employees in the Department of Crime Control and Public Safety. The continuation budget for the Department's administration is adjusted to reflect increased receipts from Budget Code 24960, Fund Code 2610 - Highway Patrol. The receipts will be used to support central administrative costs associated with the operations of the State Highway Patrol. The Department is directed to identify cost savings within Budget Code 24960, Fund Code 2610 to offset the transfer of these funds to Budget Code 14900. These cost savings represent less than one percent of the budget for the State Highway Patrol.

Alcohol Law Enforcement

57 Reduce Operating Expenses (\$485,942) R

Reduce continuation budget line items for travel, equipment, supplies, contract, etc.

58 Eliminate Vacant Positions

(\$377,114) R

Eliminate 8 vacant positions:

4940-0000-0000-633 Missing Persons Specialist

-8.00

4940-0000-0500-507 ALE Agent II

4940-0000-0700-512 ALE Agent II

4940-0000-0200-516 ALE Agent II

4940-0000-0000-629 ALE Agent II

4940-0000-0300-473 ALE Agent II

4940-0000-0700-452 ALE Agent I

4940-0000-0900-499 ALE Agent I

59 Expand AMBER Alert Program

The Department of Crime Control and Public Safety may establish two time-limited, receipt-supported positions to expand the AMBER Alert Program state-wide. AMBER Alert is a voluntary cooperative program between law enforcement agencies and local broadcasters to send an emergency alert concerning missing individuals, natural disasters, or other emergencies. The expansion will be fully supported by federal grant funds and private donations. (SB 1115, Section 18.7)

2.00

Butner Public Safety**60 Reduce Operating Expenses**

(\$112,356) R

Reduce the continuation budget line items for travel, equipment, supplies, contracts, etc.

Civil Air Patrol**61 Reduce Operating Expenses**

(\$14,783) R

Reduce continuation budget line items for travel, equipment, supplies, contract, etc.

Emergency Management**62 Eliminate Vacant Positions**

(\$155,074) R

Eliminate 4 vacant positions:

4950-0000-0000-678 Admin Asst I

-4.00

4950-1000-0000-712 Computer Sys Adm I

4950-1000-0000-715 Staff Dev Tech II

4950-0000-0001-191 Office Asst IV

63 Reduce Operating Expenses

(\$152,817) R

Reduce continuation budget line items for travel, equipment, supplies, contract, etc.

Governor's Crime Commission**64 Reduce Operating Expenses**

(\$146,138) R

Reduce continuation budget line items for travel, equipment, supplies, contract, etc.

65 Reduce Funding for Roanoke-Chowan Drug Task Force

(\$125,000) R

Reduce the amount in the continuation budget for the drug task force. Localities desiring to establish future task forces should seek alternative sources of funding.

National Guard**66 Tarheel Challenge** (\$112,000) R

The continuation budget for the Tarheel Challenge Program is reduced by 10 percent. The National Guard is directed to identify alternative sources of funding which may be used to meet the 40 percent state match requirement. (SB 1115, Section 18.2)

67 Eliminate Vacant Positions (\$103,457) R

Eliminate three vacant positions:

4920-0000-0000-116 Processing Asst III

4920-0000-0000-119 Admin Asst II

4920-0000-0000-190 Prog Asst IV

-3.00

68 Reduce Operating Expenses (\$435,922) R

Reduce continuation budget line items for travel, equipment, supplies, contract, etc.

69 Tuition Assistance Program \$900,000 R

The continuation budget for tuition assistance is increased by \$900,000. This will enable the National Guard to accommodate the increased tuition assistance requests resulting from the economic downturn and the impact of September 11th.

Victims' Compensation**70 Reduce Salary Reserve** (\$395,428) R

Continuation budget is reduced by the balance of residual salary reserve remaining after the Community Service Work Program was transferred to the Department of Correction.

71 Reduce Operating Expenses (\$89,566) R

Reduce continuation budget line items for travel, equipment, supplies, contract, etc

72 Increase Victims' Compensation Fund \$2,500,000 R

The continuation budget for the Victims' Compensation Fund is increased by \$2.5 million to address the backlog of approved but unpaid claims.

Budget Changes (\$713,318) R**Total Position Changes** -16.00**Revised Total Budget** \$27,780,188

Special Provisions **HB 314**

Department: Crime Control and Public Safety

Section:

Title: **Transfer DMV Enforcement to CCPS**

Summary: Effective December 1, 2002, the DMV Enforcement Section shall be transferred from the Department of Transportation to the Department of Crime Control and Public Safety. The transfer shall have all of the elements of a Type I transfer as defined in G.S. 143A-6. The Governor shall resolve any dispute between the two departments concerning the implementation of this act.

Special Provisions **SB 1115**

Department: Crime Control and Public Safety

Section: 2.2

Title: **General Fund Availability Statement**

Summary: Authorizes transfer of \$275,000 of funds carried forward from Fiscal Year 2001-02 for Hurricane Fran-related expenditures to the State Controller to be deposited in Nontax Budget Code 19978 (Intra State Transfers).

Section: 18.2

Title: **Tarheel Challenge Matching Funds**

Summary: Directs the NC National Guard to identify alternative sources of funding to use to meet the match requirement for federal funds.

Section: 18.5

Title: **Exempt State Highway Patrol From Umstead Act**

Summary: Amends G.S. 66-58(b) to exempt the State Highway Patrol from the Umstead Act. This will allow the State Highway Patrol to sell miscellaneous items at its academy bookstore.

Section: 18.6

Title: **Comply with Federal Violence Against Women Act**

Summary: Authorizes the Department of Crime Control and Public Safety to use available funds to comply with new federal Violence Against Women Act (VAWA) requirements. The new requirements include paying providers within 90 days for victims' full out-of-pocket costs for forensic medical examinations.

Section: 18.7

Title: **The North Carolina Child Alert Notification System- NC CAN (AMBER Alert)**

Summary: Directs the Department of Crime Control and Public Safety to expand the NC CAN program state-wide. Requires law enforcement agencies to notify the NC Center for Missing Persons as soon as practicable after receipt of a missing child report, if the report meets the specified criteria. Authorizes the Department to accept grants, contributions, devises, bequests, and gifts to be kept in a separate fund and used to support the operations of the NC CAN system.

Section: 18.8

Title: **State Floodplain Mapping Project**

Summary: Extends the Department of Crime Control and Public Safety's deadline to complete Phase I of the floodplain mapping for the Cape Fear River Basin by one year to December 30, 2003. Directs the Department to transfer \$9 million from the reserve for disaster relief to be used to maximize/match federal funds for the purpose of continuing the State floodplain mapping program. Directs that funds shall be expended first to complete the floodplain mapping for the Cape Fear River Basin and, secondly, for the Catawba and Yadkin River Basins.

Overview: 2002 Session Fiscal and Budgetary Actions

Judicial

GENERAL FUND

FY 02-03**Total Budget Approved 2001 Session****\$305,465,135**

Budget Changes

73 Reduction in Salary Reserve	(\$1,000,000)	R
The accumulated balance in salary reserve is reduced by \$1,000,000.		
74 Vacant Court Reporter	(\$50,593)	R
One vacant court reporter position is eliminated; there are currently 4 vacant positions. The Judicial Branch may use up to \$47,000 of funds made available by this reduction to pilot a program of audio visual court reporting in District #13.	\$47,000 -1.00	NR
75 Public Information Officer	(\$57,709)	R
The Public Information Officer position is eliminated. This leaves the Communication Director to carry out public information duties.	-1.00	
76 Information Technology Positions	(\$250,742)	R
A vacant special projects coordinator position in the information technology division (2209-1100-0750-807) and a vacant Business Systems Analyst position (2210-1100-0650-654) are eliminated. An additional Business Systems Manager position is also eliminated.	-3.00	
77 Guardian Ad Litem Administration	(\$59,739)	R
The number of regional administrators in the Guardian Ad Litem program is reduced from 4 to 3.	-1.00	
78 Contractual Services	(\$500,000)	R
Budgeted funds for contractual services are reduced by \$500,000. This leaves a certified budget of \$1.3 Million. The AOC uses lapsed salaries for the majority of contractual expenses.		

79 Travel & Per-Diem Expenses

(\$201,670) R

Travel and per-diem expenses are reduced to reflect less frequent conferences for court personnel. The number of DA training conferences is reduced from 2 to 1, the number of Judges' conferences from 3 to 2 and the number of Clerks' conferences from 2 to 1. In addition, where feasible, conferences will be held only at state facilities and utilize state agencies as trainers. There will be no out-of-state travel with state funds in 2002-3 by Judicial Branch employees or officials, other than travel related to prosecutorial work. In addition, automatic rotation of superior court judges is suspended until July 1, 2003, saving an additional \$360,000 in travel expenses.

(\$479,000) NR

80 Magistrates

(\$88,542) R

Five magistrate positions will be eliminated Jan 1, 2003 with the reductions taken in the lowest workload counties. In addition, positions that are currently vacant or become vacant prior to December 31st shall remain vacant until new appointments are made effective Jan 1, 2003. The AOC shall identify the counties where the reduction will be implemented. Counties where a vacancy leaves them with less than 4 active magistrates are exempt from the requirement of maintaining vacancies through December. (SB 1115, Sec. 14.6)

(\$113,427) NR
-5.00**81 Appellate Courts Reductions**

(\$145,626) R

Funding for the appellate courts is reduced to reflect (1) elimination of the use of emergency judges at the Court of Appeals and (2) reduction in library expenses to eliminate unnecessary duplication of library resources between the Court of Appeals and the Supreme Court; (3) elimination of a vacant Editorial Assistant position; (4) elimination, as of January 1, 2003, of any positions authorized under GS 7A-12.

-2.00

82 Reduce Budgeted Emergency Judge Pay

(\$300,000) R

Budgeted funds for emergency judge pay at the trial court level are reduced 80% to reflect greater management of the use of emergency judges.

83 Dispute Settlement Centers

(\$254,872) NR

Funding for all 27 programs is reduced 16% in 2002-3. In addition, a process for collection of a \$60 fee in court referred cases that are successfully resolved by the program is to be established, affecting overall General Fund availability by \$360,000 on an annualized basis. (SB 1115, Sec. 29A.11)

84 Sentencing Commission Position

(\$56,713) R

A vacant Research & Policy Associate position at the Sentencing & Policy Advisory Commission is eliminated.

-1.00

85 Family Court Program	(\$100,000)	R
Nonpersonnel expenses for the Family Court program are reduced \$100,000 to reflect increased efficiencies in training and operational costs.		
86 District Attorney Support Staff	(\$103,101)	R
One Victim Witness Legal Assistant position is eliminated in District #2 and 2 positions in District #24. These are the only districts with more VWA's than assistant district attorney positions.		
	-3.00	
87 Operating Cost Reductions	(\$678,141)	R
The following operating cost line items are reduced; budgeted funds for matching federal grants are eliminated (\$350,000), funding for software maintenance is reduced by (\$274,495) to reflect new agreements on upgraded hardware, rent expenses are reduced by (\$19,500), postage is reduced by (\$16,900), and registration fees by (\$17,246).		
88 District Court Mandatory Arbitration	(\$174,177)	R
Expenditures for arbitration fees are reduced to reflect limitations on the program to exclude collections cases from mandatory arbitration. These cases represent about 21% of the current caseload. In addition, eight fulltime coordinator positions are reduced to .75 fte (districts 10,14,18,20,21,25,27A, and 29) and a half time position in #27A is eliminated.(SB 1115, Sec. 14.3)		
	-2.50	
89 Drug Treatment Court Reduction	(\$300,000)	R
The General Fund portion of funding for the Drug Treatment Court program is reduced to reflect changes in the allocation of federal funds, the greater use of outside resources for case management and efficiencies in administration of the program. The Drug Treatment Court Administrator position is eliminated and these duties will be absorbed by other AOC staff.(SB 1115, Sec 14.8)		
	-1.00	
90 Transfer & Redesign of Sentencing Services Program	(\$5,759,409)	R
The Sentencing Services program is transferred to the Office of Indigent Defense Services as of July 1, 2002.(SB 1115, Sec. 14.7)		
	-33.50	
91 Budget Worthless Check Receipts	(\$175,000)	R
Fully budgeted receipts from the worthless check program. This adjustment reflects receipt levels for 2001-2 and leaves a General Fund appropriation of \$24,077.		
92 Increase Worthless Check Program Fee	(\$89,373)	R
The fee for participation in the worthless check program is increased from \$50 to \$60, effective Oct 1. Proceeds shall be treated as a budgeted receipt for the Judicial Branch.(SB 1115, Sec. 29A.7)		

93 Telephone and Data Lines for New Courthouse

Funds are provided for telephone and data lines for a new courthouse in Dare County. The continuation budget already includes funds for wiring a new courthouse in New Hanover County. While county governments are responsible for the construction of court facilities, the Judicial Branch is responsible for providing these lines.

\$100,000 NR

94 Judicial Assistant Position

A Superior Court Judicial Assistant position in District #19B (Montgomery, Moore, Randolph) is eliminated effective August 1, 2002. This position is assigned to a regular rather than Senior Resident Superior Court Judge. (Note: Sec. 91.3 of SB 1217 directs the Judicial Department to use available funds to maintain the position as currently assigned)

(\$38,132) R

-1.00

Budget Changes

(\$10,128,667) R

(\$700,299) NR

Total Position Changes

-55.00

Revised Total Budget

\$294,636,169

Special Provisions **SB 1115**

Department: Judicial

Section: 2.2(b)

Title: **General Fund Availability Statement**

Summary: Section 2.2(b) authorizes one time transfers of (1) \$150,000 remaining balance of the Worthless Check fund and (2) \$275,000 available balance from the account maintained by the Supreme Court for appellate copying fees. The transfer of the available balance from appellate copying fees is also referenced in Section 2.2(l) and the continued operation of the appellate printing and computer operations fund is described in Sec. 14.12.

Section: 14.3

Title: **Restrict District Court Mandatory Arbitration**

Summary: Restricts the District Court Mandatory Arbitration program from handling simple collections cases effective October 1, 2002.

Section: 14.4

Title: **Federal Grant Funds**

Summary: Authorizes AOC to use up to \$875,000 in available funds to match federal grants. Also specifies that funds from the Court Technology Fee Fund will be used to honor prior obligations related to local criminal justice information systems.

Section: 14.6

Title: **Magistrate Positions**

Summary: Directs AOC to identify 5 magistrate positions to be eliminated December 31, 2002, considering only counties with at least 5 magistrates. The AOC shall report to Appropriation Chairs on the positions identified by December 1, 2002.

Section: 14.7

Title: **Transfer Sentencing Services**

Summary: The Sentencing Services program, a mixture of state run programs and contracts with nonprofits, is transferred from the AOC to the Office of Indigent Defense Services, although the AOC will continue to provide general administrative support. The program is directed to minimize the number of plans prepared but not presented and to implement more effective management of probation revocation cases. They are limited to no more than 4 positions assigned as administrative staff and shall report to Appropriation Chairs on their reorganization by January 1, 2003.

Section: 14.8

Title: **Drug Treatment Court**

Summary: Directs the program to identify cost savings based on obtaining case management services from other agencies. Drug Treatment Court is required to consult with the TASC program in DHHS prior to establishing new programs.

Section: 14.12

Title: **Appellate Courts Printing & Computer Operations**

Summary: Establishes the Appellate Courts Printing & Computer Operations Fund as a special non-reverting fund collecting revenues from appellate copying fees and supporting the costs of the appellate court print shop and computer operations. Positions currently funded outside of the state budget will continue as receipt supported positions through this fund. The AOC shall report to the Chairs of the JPS Appropriations Subcommittee annually and prior to establishing new receipt supported positions.

Overview: 2002 Session Fiscal and Budgetary Actions

Judicial - Indigent Defense

GENERAL FUND

FY 02-03

Total Budget Approved 2001 Session

\$68,867,771

Budget Changes

95 Assistant Public Defender	(\$74,227)	R
One Assistant Public Defender position is eliminated in District #12, Cumberland County. This leaves 13 attorney positions. This office ranks lowest among the public defender offices in cases per attorney.	-1.00	
96 Transfer of Sentencing Services Program	\$3,543,357	R
The Sentencing Services program is transferred from the Administrative Office of the Courts to the Office of Indigent Defense Services. Of the 26 state positions currently authorized, only 4 positions may be assigned to administrative duties not directly related to the production of sentencing plans. Funding for the program is reduced by 33% to reflect a narrower focus for the program and more efficient administration. The Office of Indigent Defense Services may use a combination of state employees and contractual arrangements with local governments or non profit organizations to provide sentencing services in as many districts as possible. (SB 1115, Sec. 14.7)	26.00	
97 Expansion of Mecklenburg Public Defender Program	\$0	R
The Office of Indigent Defense Services is authorized to use up to \$745,000 to create up to 10 attorney positions and up to 5 other (legal assistant, investigator) positions in the Mecklenburg County Public Defender office, effective October 1, 2002. These positions will be funded out of existing funding for indigent defense. This expansion is projected to save \$143,015 in 2002-3. (SB 1115, Sec. 14.11)	\$0	NR
	15.00	
98 Increased Funding for Assigned Counsel	\$525,000	R
The budget for assigned counsel for indigent defendants is increased by a one-time general fund appropriation of \$4,950,000. These funds are to be used to pay some of the \$6.7 million in unpaid attorney fees carried over from 2001-02. Expenditures have exceeded the continuation budget for several years. The assigned counsel budget is also increased by \$525,000 in recurring funds.	\$4,950,000	NR
99 Budget Receipts from Appointment Fee	(\$525,000)	R
A new appointment fee will be instituted December 1, 2002 with the receipts to be budgeted to the Office of Indigent Defense Services. (SB 1115, Sec. 29A.9)		

100 Establish Public Defender Office in Forsyth County

The Office of Indigent Defense Services is authorized to use up to \$1,225,000 in existing funding to create a public defender office in Forsyth County. Funds will be used to create a Public Defender position, 13 additional attorney positions, 3 paralegal, 3 investigator and 1 administrative assistant position. The ODS projects to save at least \$72,000 during 2002-3 by establishing a public defender office and thereby reducing the use of assigned counsel in Forsyth County. (SB 1115, Sec. 14.11)

\$0 R
\$0 NR
21.00

Budget Changes

\$3,469,130 R

\$4,950,000 NR

Total Position Changes

61.00

Revised Total Budget

\$77,286,901

Special Provisions **SB 1115**

Department: Judicial - Indigent Defense

Section: 14.11

Title: **New Public Defender Office/Expand Mecklenburg**

Summary: The Office of Indigent Defense Services is authorized, within existing funding, to establish a new Public Defender Office in Forsyth County, effective October 1, 2002. They are also authorized to use existing funding to expand the Mecklenburg Public Defender office. Both actions are expected to be cost effective relative to using assigned counsel.

Overview: 2002 Session Fiscal and Budgetary Actions

Justice

GENERAL FUND

FY 02-03**Total Budget Approved 2001 Session****\$73,785,584**

Budget Changes

101 Temporary Services

Reduce the continuation budget for temporary personnel services.

(\$200,415) NR

102 DARE Program

Reduce the continuation budget for the Drug and Alcohol Resistance Education (DARE) Program. Amount remaining may be provided as pass-through funding to the NC Dare Foundation to purchase and distribute educational materials or provide technical assistance to support local law enforcement agencies' anti-drug initiatives.

(\$150,286) R

-3.00

103 Laboratory Drug/Alcohol Analyses

Effective October 1, 2002, increase the restitution payments for drug analyses and add new restitution payment for alcohol-related DW analyses conducted by the SBI Crime Laboratory.

(\$500,000) R

104 NC Background Checks

Eliminate the exemption of NC background check fees for prospective lawyers.

(\$14,000) R

105 Uniform Allowance

Reduce amount budgeted for SBI uniform allowances.

(\$117,200) NR

106 SBI Training Academy

One time reduction in the amount budgeted for SBI training.

(\$50,000) NR

107 Reduction in Force

Eliminate 12 positions in Legal Services, Criminal Training and Standard, and the SBI.

(\$479,305) R

-12.00

108 Vehicle Replacement

Reduce vehicle replacement budget by \$500,000.

(\$500,000) NR

109 Eliminate Remaining OIG Funds

The Office of Inspector General was eliminated effective January 1, 2002. The balance remaining in the continuation budget for this purpose is eliminated.

(\$42,895) R

110 LEXIS Contract	(\$100,000)	R
Continuation budget is reduced to reflect savings from the renegotiation of the LEXIS publishing contract.		
111 Supplies and equipment	(\$523,500)	NR
Reduce continuation budget for supplies and equipment.		
112 Eliminate Vacant Positions	(\$169,790)	R
Eliminate 4 vacant positions:		
	-4.00	
#4506 Business Officer I		
#4627 Prog. Asst. IV		
#0839 Prog. Asst. V		
#3555 Proc. Asst. V		
Budget Changes	(\$1,456,276)	R
	(\$1,391,115)	NR
Total Position Changes	-19.00	
Revised Total Budget	\$70,938,193	

Special Provisions **SB 1115**

Department: Justice

Section: 15.2

Title: **No-Call Registry Authorization**

Summary: Authorizes the Department of Justice to use up to \$700,000 in available funds to establish a no-call registry to stop unwanted telemarketing calls. This provision becomes effective only when legislation authorizing a no-call registry becomes law.

Section: 15.5

Title: **Insurance Regulatory Fund Reimbursement**

Summary: Authorizes funds from the Insurance Regulatory Fund to be used to reimburse the General Fund for expenses incurred by the Department of Justice in representing the Department of Insurance in the regulation of the insurance industry.

Juvenile Justice & Delinquency Prevention

GENERAL FUND

FY 02-03

Total Budget Approved 2001 Session

\$142,554,017

Budget Changes

Central Administration

113 Reduce Non-Salary Line Items

Reduce non-salary line items (\$200,000) NR

114 Reduce Central Administration Budget

(\$916,320) R

The Central Office budget is reduced by 11% by cutting operating expenses and three vacant positions: Teen Court Coordinator, Asst. Secy. For Special Initiatives, and a Specialist for the Center for the Prevention of Violence. Position reductions total \$227,184 while Non-Salary reductions are:

\$122,987 Travel and Supplies
\$101,788 Indirect Costs from Federal Grants
\$100,000 Rent
\$36,383 SOS Program N.S. Line Items
\$29,900 Gov One on One N.S. Line Items
\$298,078 Prior year refunds from JCPCs

-3.00

115 Eliminate Vacant Special Assistant Position

(\$83,684) R

The duties of this position have been combined with another position so this vacant position can be eliminated.

-1.00

Intervention/Prevention

116 Juvenile Court Counselors

(\$407,000) R

The continuation budget for juvenile court counselors is reduced by \$407,000. Of this amount, \$200,000 is to be taken from 532700 Travel/Other Employee Expenses. The remaining amount shall be generated by eliminating 5 vacant positions effective July 1, 2002.

-5.00

117 Project Challenge

Reduce pass-through funds by 20%. (\$30,000) NR

118 Close Multipurpose Group Homes

(\$1,500,000) R

Close three multi-purpose group homes located in Macon, Randolph and Cabarrus Counties.

119 JCPC Grants

(\$689,665) R

The continuation budget for the Juvenile Crime Prevention Councils (JCPC) county allocations is reduced by \$689,665. This amount is intended to offset the elimination of direct state appropriations for county teen court programs. For FY 2002-03, DJJDP shall allocate \$488,660 to JCPCs in those counties which received a direct state appropriation for a teen court program in FY 2001-02, as specified below. DJJDP shall instruct the county JCPCs to provide funds to their county teen court programs in the amount specified: (SB 1115, Section 16.2)

\$30,000 Bladen County
 \$40,000 Brunswick County
 \$25,000 Buncombe County
 \$14,330 Cabarrus County
 \$25,000 Chatham County
 \$30,000 Cumberland County
 \$30,000 Davidson County
 \$20,000 Duplin County
 \$70,000 Durham County
 \$14,330 Forsyth County
 \$20,000 Guilford County
 \$30,000 Jones County
 \$30,000 New Hanover County
 \$20,000 Onslow County
 \$40,000 Orange County
 \$25,000 Rockingham County
 \$25,000 Wake County

120 Teen Court

(\$488,660) R

Dedicated state funding for teen court programs in specific counties is eliminated. Those counties wishing to retain a teen court program are directed to provide funding from their JCPC allocations or alternative funding sources. (SB 1115, Section 16.2)

121 Governor's One-on-One

Reduce the continuation budget by 10 percent.

(\$117,811) NR

122 Communities in Schools

(\$102,500) R

Reduce pass-through funds by \$102,500. This reduction is to be taken from the central headquarters' budget and, combined with other state funding reductions, represents an overall decrease of about 10% in the administrative budget. (SB 1115, Section 16.3)

123 Eliminate Vacant Program Coordinator

(\$50,132) R

Eliminate the position of Community Based Alternative Program Coordinator (1881-0000-0000-290) effective July 1, 2002.

-1.00

Youth Facilities**124 Funding to Repair Buncombe Detention Center**

DJDP is authorized to carry out basic repairs and renovations in order to keep Buncombe Detention Center operational. (SB 1115, Section 16.7)

\$135,850 NR

125 Convert Samarkand Manor YDC to Female Facility

(\$6,860,236) R

DJDP will eliminate 128 juvenile offender beds and 154 positions at the Samarkand Manor Youth Development Center (Training School). Up to 73 beds will remain for female offenders. Samarkand is being closed because of the high cost of operations, the extent of renovation and repair needs, and to begin carrying out the intent of the Juvenile Justice Act to downsize and eventually eliminate training schools (YDCs). (SB 1115, Section 16.1)

-154.00

126 Consolidate Detention Center

(\$1,082,608) R

Unstead Detention Center will be closed July 1. The bed capacity of the facility will be re-established at the Dillon YDC. Juveniles in detention will be housed and managed separately from the training school population. This action will result in a loss of another 22 YDC beds. Combined with the downsizing of Samarkand, a total of 150 YDC beds will be eliminated. The 24 positions being eliminated here are vacant; some vacancies are being taken from the YDC's to meet the budget reduction amount shown and to avoid further reductions in filled positions.

-24.00

127 Reduce Medical Budget

(\$100,000) R

The budget for medical services for juvenile offenders exceeds expenditures in FY 02. With the downsizing of facilities, an additional reduction can be made.

128 Increase Detention Center Receipts

(\$600,000) R

The State and County each pay 50% of the cost of a detention center bed. The rate charged to counties has not been adjusted in FY 02 to reflect actual State costs which now exceed 50%. Adjusting the rate charged to counties will increase receipts by \$600,000, allowing a reduction in the General Fund.

129 Increase Receipts for Food Service

(\$350,000) R

DJDP Detention Centers are eligible to receive federal funds to help pay for meals for youthful offenders. Receiving these receipts will allow a reduction in the General Fund. One federally funded position is established to manage this program

1.00

130 Eliminate Vacant Detention Center Positions

(\$126,618) R

3.5 vacant positions are eliminated. 2.5 positions are eliminated from Alexander Detention Center: a Maintenance Mechanic III, a Nurse (.5), and a Youth Program Assistant. One position is eliminated from Richmond Detention, an Administrative Assistant V. These positions were initially recommended for reduction by DJJDP in order to meet the original reduction amount of \$7.43 million for Sanarkand.

-3.50

Budget Changes

(\$13,357,423) R

(\$211,961) NR

Total Position Changes

-190.50

Revised Total Budget**\$128,984,633**

Special Provisions **SB 1115**

Department: Juvenile Justice & Delinquency Prevention

Section: 16.1

Title: **Use of Funds For Youth Development Center and Multipurpose Beds**

Summary: Authorizes the Department of Juvenile Justice and Delinquency Prevention to use available funds to (1) establish or reestablish youth development center beds; (2) reestablish one multipurpose group home; and (3) convert one Eckerd Wilderness Camp for use as a youth development center should the need arise. Prior to doing so, the Department must consult with the Joint Legislative Commission on Governmental Operations and the Corrections, Crime Control, and Juvenile Justice Oversight Committee.

Section: 16.2

Title: **Funding of Teen Court Program**

Summary: Directs the Department of Juvenile Justice and Delinquency Prevention to allocate \$488,660 in FY 2002-03 to Juvenile Crime Prevention Councils to continue the operations of county teen court programs which received General Fund appropriations in FY 2001-02.

Section: 16.3

Title: **Communities In Schools Reductions**

Summary: Reduces funding for Communities in Schools by \$102,500 and specifies that the reduction shall be accomplished by reducing expenditures at the State office, not from the individual sites.

Section: 16.5

Title: **State Funds May Be Used as Federal Matching Funds**

Summary: Funds appropriated to the Department of Juvenile Justice and Delinquency Prevention for the 2002-03 fiscal year may be used to match federal Juvenile Accountability Incentive Block Grant funds.

Section: 16.6

Title: **Planning for New Youth Development Center**

Summary: Authorizes the Department of Juvenile Justice and Delinquency Prevention to use funds allocated to the Department of Administration for juvenile facilities to plan and design a 300 - 500 bed youth development center. The Department shall report by February 15, 2003 on its progress and shall also provide a preliminary report on how the plan will ensure effective security and programming while achieving staffing efficiencies.

Section: 16.7

Title: **Operation of Buncombe Youth Detention Cen**

Summary: Directs the Department of Juvenile Justice and Delinquency Prevention to continue to operate the Buncombe Youth Detention Center at the current site for the 2002-03 fiscal year. The Department shall operate the center at the same average population, staffing levels, and budget as the 2001-02 fiscal year, to the extent practicable.

GENERAL GOVERNMENT

Overview: 2002 Session Fiscal and Budgetary Actions

Administration

GENERAL FUND

FY 02-03

Total Budget Approved 2001 Session

\$61,563,497

Budget Changes

1111 Secretary's Office

1 Personnel and Operating Budget Reductions

(\$206,064) R

Eliminate the salary and benefits for the following two vacant positions:

-4.00

Info. Comm. Spec. II - 4101-0000-0000-094 - (\$31,161)

Statician - New position - (\$47,247).

Eliminate the salary and benefits for the following filled position:

Admin. Assistant - 4101-0000-0000-087 - (\$38,507).

The reduction will also transfer the salaries and benefits (\$73,020) for the Chief of Local Regional Affairs position (4101-0000-0000-086) to a receipt-support.

The operating budget reduction in miscellaneous contractual services (532199) is \$16,129.

1121 Fiscal Management

2 Personnel and Operating Reductions

(\$77,857) R

Reduces the operating budget for office supplies (533110) by \$1,839. Also eliminates the salary and benefits for the following two vacant positions:

-2.00

Proc. Assistant V - 4118-0000-0000-341 - (\$40,296)

Accounting Clerk V - 4118-0400-0000-328 - (\$35,722).

1122 Human Resources Management

3 Personnel Reductions

(\$108,037) R

Eliminate the salary and benefits for the following two filled positions:

-2.00

Staff Dev. Spec. III - 4117-0000-0000-103 - (\$53,286)

Personnel Analyst II - 4117-0000-0000-102 - (\$54,751)

1241 Management Information Systems

4 Operating Budget Reductions

(\$2,250) R

Reduce the operating budget for other employee education expenses (532942).

1264 Agency for Public Telecommunications**5 Program and Personnel Reductions**

(\$532,204) R

Transfer salaries and benefits (\$107,573) for three positions to receipt-support. Budgeted receipts will be increased by a corresponding amount. Also eliminate 6 additional positions and reduce the operating budget by a total of \$424,451.

-9.00

1280 Mail Service Center**6 Operating Budget Reductions**

(\$18,368) R

Reduce the operating budget for information technology services (532140).

1311 Office of State Personnel**7 Personnel and Operating Budget Reductions**

(\$827,853) R

Eliminate salary and benefits for nine vacant and 6.3 filled positions:

-15.30

Vacant Positions

Executive Assistant I-#4000-0100-0004-005 - (\$39,789)
 Apps Anal Programmer II-#4000-0301-0004-150 - (\$59,000)
 Office Assistant IV-#4000-1002-0404-521 - (\$24,185)
 HR Med a Prog Consultant-#4000-0600-0004-617 - (\$58,567)
 Office Assistant V-#4000-0500-0004-730 - (\$29,176)
 HR Partner-#4000-0600-0004-731 - (\$61,264)
 HR Partner-#4000-0301-0004-781 - (\$59,313)
 Apps Anal Programmer I-#4000-0202-0004-948 - (\$59,000)
 Personnel Assistant IV-#4000-0301-0005-002 - (\$26,461)

Filled

HR Partner-#4000-0500-0004-320 - (\$35,535)
 HR Partner-#4000-0500-0004-629 - (\$48,321)
 HR Partner-#4000-0500-0004-630 - (\$48,321)
 HR Partner-#4000-0500-0004-692 - (\$47,332)
 HR Partner, PT (.50)-#4000-0600-0004-779 - (\$36,565)
 HR Partner-#4000-0500-0004-946 - (\$36,396)
 HR Partner, PT (.80)-#4000-0500-0004-984 - (\$42,935)

531511 Social Security Contributions - (\$51,683)
 531521 Reg Retirement Contributions - (\$33,780)
 531561 Med Insurance Contributions - (\$43,995)
 532500 Rent/Lease - (\$8,117)
 532942 Other Services/Training - \$30,000
 536905 Model Co-op Program - (\$8,118)

Per Section 85 of S.L.2002-159 (SB 1217), position numbers for abolished filled positions were revised as follows:

Deleted HR Partner-#4000-0500-0004-320 - (\$35,535) and substituted HR Partner-#4000-0300-0004-320 - (\$35,535)

Deleted HR Partner-#4000-0500-0004-946 - (\$36,396) and substituted HR Partner-#4000-0300-0004-946 - (\$36,396)

Overview: 2002 Session Fiscal and Budgetary Actions

FY 02-03

8 Program and Personnel Transfer

(\$69,949) R

Transfer the HR Partner for Industrial Hygiene position and employee with salary, related benefits, and operating costs to the Department of Labor to consolidate industrial hygiene services to state agencies/universities.

-1.00

1411 State Construction

9 Personnel and Operating Budget Reductions

(\$361,033) R

Eliminate the salary and benefits for the following three vacant positions:

-5.00

Office Assistant IV - 4149-0000-0006-161 - (\$28,757)
Bldg System Eng. III - 4149-0000-0006-029 - (\$72,396)
Chief Design Review - 4149-0102-0006-080 - (\$89,288)

The reduction also eliminates two new, vacant Building System Engineer positions for \$128,240 in salaries and benefits and the operating budget by \$42,352 in the following line items:

532140 Information Technology Services (\$5,000)
532821 Computer/Data Processing (\$10,000)
532199 Miscellaneous contractual services (\$27,352).

1412 State Property

10 Personnel and Operating Budget Reductions

(\$90,911) R

Eliminate the salary and benefits for the following two vacant positions:

-2.00

Proc. Assistant IV - 4150-0000-0006-271 - (\$29,908)
Applications Prog.II - 4150-0000-0006-288 - (\$49,003).

Also reduces the operating budget by \$12,000 in the following line items:

534522 Computer Equipment (\$8,000)
534710 Computer Software (\$2,000)
532942 Employee Education Expense (\$2,000)

1416 Building Commission**11 Operating Budget Reductions**

(\$18,000) R

Reduce the frequency of the meetings per year to quarterly, thereby reducing the operating budget in the following line items:

531651 Bd. Member - Per Diem (\$5,000)
 532731 Bd. Member - Transportation (\$6,450)
 532732 Bd. Member - Subst. (\$4,000)
 532430 Maint. Agreement - Equip (\$285)
 532840 Postage (\$476)
 532850 Printing (\$618)
 532930 Registration Fees (\$500)
 533110 Office Supplies (\$271)
 533190 Other Supplies (\$200)
 535900 Other Expenses (\$200).

Currently, the Commission meets monthly. Reducing the meetings to quarterly is consistent with the statutory requirement in G.S. § 143-135.25(d) that they meet at least four times per year.

1421 Facilities Management**12 Personnel Reductions**

(\$294,401) R

Eliminate the salary and benefits for the following 10 vacant positions:

-10.00

HVAC Mechanic - 4151-0000-0008-428 - (\$39,398)
 Electrician II - 4151-0000-0008-462 - (\$31,967)
 Office Asst. - 4151-0000-0013-043 - (\$32,265)
 Plumber II - 4151-0000-0013-056 (\$33,210)
 Housekeeper - 4151-0304-0008-418 - (\$22,863)
 Electrician I - 4151-0304-0008-420 (\$26,765)
 Carpenter - 4151-0305-0008-486 - (\$33,519)
 Hskg. Supv. - 4151-0400-0009-335 (\$25,913)
 Housekeeper - 4151-0400-0009-376 (\$23,825)
 Housekeeper - 4151-0400-0009-405 (\$24,676)

13 Operating Budget Reductions

(\$1,430,860) R

Reduce the utilities budget, due to energy saving efficiency measures that have been implemented, and the operating budget as follows:

532210 Electricity (\$1,090,000)
 532220 Gas (\$50,000)
 532310 Repairs (\$125,062)
 532333 Repairs-Other Equipment (\$50,000)
 534522 Computer Equipment (\$20,000)
 534539 Other Equipment (\$30,000)
 534541 Vehicles - Trucks (\$16,000)
 535900 Other Expenses (\$42,673)
 532140 Information Tech. Services (\$5,000)
 532942 Employee Education Expense \$(2,125)

1511 Purchase and Contract**14 Personnel and Operating Budget Reductions**

(\$428,303) R

Eliminates the salary and benefits for five vacant positions as follows:

-5.00

Proc. Spec. III - 4108-0201-0006-564 - (\$73,273)
 2 Proc. Spec. II - 4108-0402-0006-735/746 - (\$95,249)
 Chief of Purchasing - 4108-0406-0006-743 - (\$89,303) Proc.
 Assistant IV - 4108-0503-0006-947 - (\$27,342).

Also reduces the operating budget by \$143,136 as follows:

532140 Information Tech. Services- (\$15,000)
 532310 Repairs (\$4,000)
 532333 Repairs (\$3,000)
 532522 Rent/Lease DP Equipment (\$3,000)
 533720 Education Supplies (\$1,400)
 532860 Advertising (\$5,500)
 532513 Rent/Lease Other Facilities (\$301)
 534511 Office Furniture (\$4,000)
 534522 Computer Equipment (\$55,236)
 534521 Office Equipment (\$10,000)
 534539 Other Equipment (\$3,000)
 533110 Office Supplies (\$10,000)
 532140 Information Tech. Services (\$18,699)
 532714 Travel - Ground Trans. (\$5,000)
 532721 Travel - Lodging (\$5,000)

1731 Council for Women**15 Personnel Reductions**

(\$45,953) R

Eliminate the salary and benefits for one filled Social Research Associate I position (4116-0800-0014-060).

-1.00

1732 Displaced Homemakers**16 Personnel Reductions and Changes in Funding Source**

(\$69,657) R

Eliminate the salary and benefits for the following filled position:

-1.00

Soc. Research Assoc. - 4116-0000-0014-023 - (\$43,149).

The reduction also converts \$26,508 of the operating budget for other expenses (535900) to receipt-support.

1741 Human Relations**17 Personnel Reductions**

(\$31,618) R

Eliminate the salary and benefits for one vacant Program Assistant V position (4135-0300-0011-901).

-1.00

1742 MLK Commission**18 Operating Budget Reductions**

(\$5,234) R

Reduce the operating budget for office equipment (534521).

Overview: 2002 Session Fiscal and Budgetary Actions

FY 02-03

1761 Youth Involvement Office

19 Youth Internship Program Reduction

(\$81,403) R

Reduce the funding for the summer internship program by 25%

20 Personnel Reductions

(\$35,505) R

Eliminate the salary and benefits for a vacant Office Assistant V position (4138-0000-0000-571).

-1.00

1771 Veterans Affairs

21 Reduction in Veterans' Scholarship Program

(\$250,000) R

Reduce the funding for the scholarship program

22 Personnel Reductions

(\$170,247) R

Eliminates the salary and benefits for the following five vacant positions:

-5.00

Office Assistant - 4127-0606-0107-500 - (\$32,817)

Proc. Assistant III - 4127-0606-0307-610 - (\$26,247)

Vet. Serv. Of. - 4127-0606-0307-644 - (\$40,801)

Proc. Assistant IV - 4127-0606-0207-808 - (\$27,128)

Vet. Serv. Of. 4127-0606-0307-670 - (\$43,254)

1810 Ethics Board

23 Operating Budget Reductions

(\$11,000) R

Reduce the operating budget for other expenses line item (535900).

1811 GACPD

24 Personnel Reductions

(\$62,643) R

Eliminate the salary and benefits for one vacant Attorney II position (4140-1540-0000-439).

-1.00

1861 Indian Affairs

25 Personnel Reductions

(\$29,779) R

Eliminate the salary and benefits for one vacant Processing Assistant III position (4110-0903-0014-323).

-1.00

Overview: 2002 Session Fiscal and Budgetary Actions

FY 02-03

Departmentwide

26 Personnel Reductions

(\$361,180) R

Eliminate the salary and benefits for 11.5 vacant positions throughout the department.

-11.50

1280 Mail Service Center

.5 Admin. Secretary II 4131-0000-0010-900 - (\$16,290)

1421 Facility Management

Plant. Maint. Supv I 4151-0303-0008-101- (\$53,502)

Gen. Utility Wkr. - 4157-0200-0008-150 - (\$23,008)

Gen. Utility Wkr. - 4157-1100-0013-012 - (\$23,008)

Gen. Utility Wkr. - 4157-1100-0013-011 - (\$23,008)

Gen. Utility Wkr. - 4157-0200-0008-144 - (\$23,387)

Plumber II - 4151-0000-0013-058 - (\$31,848)

HVAC Mechanic - 4151-0305-0008-104 - (\$35,108)

HVAC Mechanic - 4151-0000-0013-033 - (\$32,186)

HVAC Technician - 4151-0000-0009-443 - (\$34,695)

1511 Purchase and Contract

Processing Assistant IV 6826 (\$29,282)

1781 Domestic Violence Program

Human Serv. Coord. II - 4116-0800-0014-097 - (\$35,858).

Budget Changes

(\$5,620,309) R

Total Position Changes

-77.80

Revised Total Budget

\$55,943,188

Special Provisions **SB 1115**

Department: Administration

Section: 19.1A

Title: **Occaneechi Band of the Saponi Nation on the NC State Commission of Indian Affairs**

Summary: Adds the Occaneechi Band of the Saponi Nation to the North Carolina State Commission of Indian Affairs, increasing the Commission's membership from 20 to 21. The provision also provides that any expenses incurred shall be paid out of the Department of Administration's existing appropriations.

Section: 19.2

Title: **Increase Efficiency of Mail Service Cent**

Summary: Requires the Secretary of the Department of Administration to develop a plan for the efficient operation of the Mail Service Center and to present the plan to State Budget and to the General Assembly no later than the convening of the 2003 General Assembly.

Section: 19.3

Title: **Scholarship For Children of War Veterans Amendments**

Summary: Amends the scholarship statutes to align them with federal statutory requirements. Specifically, it places a 25-year age limitation on who qualifies as a child; requires completion of high school prior to the receipt of a scholarship, and requires North Carolina residency. The Class II category was amended to include more eligible applicants, by including the children of veterans who were awarded the Purple Heart, and removing those with a statutory award for pulmonary tuberculosis since that award is no longer made by the US Department of Veterans Affairs. The Class III category was amended to include the child of a veteran who served in a combat zone, or waters adjacent to a combat zone, or any other campaign, expedition, or engagement for which the United States Department of Defense authorized a campaign badge or metal. The provision also requires that notification be given to scholarship recipients by May 1st of each year.

Section: 19.4

Title: **Regional Office Consolidation Plan**

Summary: Directs State Property Office to identify regional offices throughout the state and to develop a plan for the consolidation of agencies' individual regional offices into a consolidated facility in each region. This is to be done in consultation with all other state agencies. A report of findings and recommendations is due November 1, 2002 to the Chairs of the Appropriations Committees of the Senate and House of Representatives and to the Fiscal Research Division.

Per Section 80 of S.L. 2002-159 (SB 1217), the due date for the report was changed to February 1, 2003.

Section: 19.6

Title: **Petroleum Overcharge Funds Allocation**

Summary: Appropriates \$1 million from the Special Reserve for Oil Overcharge Funds to the Department of Health and Human Services for the Weatherization Program.

Section: 19.7

Title: **Retain Youth Advocacy and Involvement Office**

Summary: Directs the Governor and the Department of Administration to continue to maintain the Youth Advocacy and Involvement Office through June 30, 2003 at a funding level as provided by the General Assembly. The Secretary of the Department of Administration is to present a plan for reorganizing the Office to the Chairs of the Joint Appropriations Subcommittee on General Government by January 31, 2003.

Section: 19.8

Title: **Transfer Community Service Consultant Position**

Summary: Per Section 66 of S.L. 2002-159 (SB 1217), the appropriations bill (SB 1115) was amended to add a new special provision. The language was adopted to reflect the transfer of position # 4101-0000-0000-067, Community Service Consultant, from the Department of Administration to the Office of State Personnel that was effective August 1, 2002.

Overview: 2002 Session Fiscal and Budgetary Actions

Auditor

GENERAL FUND		
		FY 02-03
Total Budget Approved 2001 Session		\$11,864,673
Budget Changes		
1120 General Services		
27 Operating Budget Reduction	(\$28,830)	R
Reduce the budget for printing the Single Audit reports (\$7,000) and for staff training (\$21,830).		
1210 Field Audit		
28 Operating Budget Reduction	(\$20,995)	R
Reduce the budget for the replacement of computer equipment.		
29 Reduce Contract Audit Funds	(\$500,000)	R
Reduces funding for contract services for financial, performance, investigative and information system audits.		
30 Personnel Reductions	(\$246,140)	R
Eliminate the salary and benefits for the following five vacant positions:		
	-5.00	
Processing Asst. IV - 3300-0000-0000-180 (\$37,283)		
Asst. State Aud. II - 3300-0000-0000-217 (\$63,285)		
Asst. State Aud. II - 3300-0000-0000-115 (\$56,784)		
Asst. State Aud. I - 3300-0000-0000-216 (\$44,403)		
Asst. State Aud. I - 3300-0000-0000-228 (\$44,385)		
Budget Changes	(\$795,965)	R
Total Position Changes	-5.00	
Revised Total Budget	\$11,068,708	

Special Provisions **SB 1115**

Department: Auditor

Section:

Title: **(No Special Provisions reported)**

Summary:

Overview: 2002 Session Fiscal and Budgetary Actions

Cultural Resources

GENERAL FUND

FY 02-03

Total Budget Approved 2001 Session

\$59,427,419

Budget Changes

1110 Office of the Secretary

31 Reduce Personnel

(\$199,475) R

Eliminate salary and benefits for two (2) vacant positions, a position that will be vacant as of 6/30/02, and miscellaneous contractual services:

-3.00

Administrative Officer-#4801-0100-0001-049 - (\$42,625)
Admin Officer II-#4801-0100-0001-014 - (\$54,434)
Personnel Supervisor I-#4801-0100-0001-029 - (\$61,683)
(6/30/02)

531511 Social Security Contributions/Approp - (\$12,144)
531521 Reg Retirement Contributions/Approp - (\$7,937)
531561 Med Insurance Contributions/Approp - (\$8,799)
532199 Misc. Contractual Services - (\$11,853)

1210 Historical Resources - Administration

32 Operating Budget Reductions

(\$95,111) R

Reduce the following line items in the division budget:

531311 Regular Temporary Salaries/Approp - (\$5,900)
531511 Social Security Contributions/Approp - (\$452)
532199 Miscellaneous Contractual Services - (\$19,500)
532390 Repairs-Other - (\$1,000)
534522 Computer Equipment - (\$2,920)
536901 First Flight Centennial Commission - (\$65,339)

1220 Scholarly Publications

33 Personnel and Operating Budget Reductions

(\$59,096) R

Eliminate salary and benefits for one vacant position and
reduce the following line items:

-1.00

Accounting Clerk III-#4802-0200-0002-083 - (\$20,672)

531311 Regular Temporary Salaries/Approp - (\$3,424)
531511 Social Security Contribution/ Approp - (\$1,843)
531521 Reg. Retirement Contributions/Approp - (\$1,034)
531561 Med Insurance Contributions/ Approp - (\$2,933)
532199 Miscellaneous Contractual Services - (\$578)
532712 Transportation Air/Out of State - (\$500)
532715 Transportation Ground/Out of State - (\$295)
532721 Lodging/In State - (\$100)
532722 Lodging/Out of State - (\$800)
532725 Meals/Out of State - (\$498)
532728 Miscellaneous Subsistence Out of State - (\$100)
532840 Postage, Freight, Delivery - (\$14,218)
532850 Print, Bind, Duplicate - (\$10,135)
532860 Advertising - (\$440)
534511 Furniture-Office - (\$1,406)
534710 Computer Software - (\$120)

1230 Archives and Records Management**34 Personnel and Operating Budget Reductions**

(\$269,192) R

Eliminate salary and benefits for vacant positions - three
(3) full time and one part-time and the following line
items:

-3.17

Archivist Supv-#4802-0302-0002-110 - (\$45,141)

Archivist, PT (.175)-#4802-0302-0002-149 - (\$4,948)

Processing Asst IV-#4802-0303-0002-177 - (\$22,316)

Processing Asst IV-#4802-0304-0002-227 - (\$25,000)

531311 Reg. Temporary Salaries/Approp - (\$32,366)

531511 Social Security Contributions/Approp - (\$9,927)

531521 Reg. Retirement Contributions/Approp - (\$4,623)

531561 Med Insurance Contributions/Approp - (\$8,799)

532185 Waste Removal - (\$172)

532199 Miscellaneous Contractual Services - (\$150)

532230 Water and Sewer - (\$1,300)

532490 Maintenance Agreement - (\$1,500)

532512 Rent/Lease Buildings/Office - (\$5,235)

532590 Rent/Lease Other Prop. - (\$1,017)

532712 Transportation Air/Out of State - (\$2,700)

532714 Transportation Ground/In State - \$4,708)

532715 Transportation Ground/Out of State - (\$704)

532721 Lodging/In State - (\$5,048)

532722 Lodging/Out of State - (\$3,346)

532724 Meals/In State - (\$4,042)

532725 Meals/Out of State - (\$1,519)

532727 Miscellaneous Subsistence/In State - (\$1,210)

532728 Miscellaneous Subsistence/Out of State - (\$2,540)

532731 Board/Non Employee Transportation - (\$200)

532732 Board/Non Employee Subsistence - (\$100)

532821 Computer/Data - (\$4,135)

532860 Advertising - (\$500)

532942 Other Equipment - (\$2,440)

533110 General Office Supplies - (\$1,034)

533900 Other Materials and Supplies - (\$29,773)

534511 Office Furniture - (\$3,000)

534522 Computers - (\$7,000)

534539 Other Equipment - (\$26,775)

534630 Library Learning Resources - (\$1,410)

534710 Computer Software - (\$1,088)

535830 Membership dues and Subscriptions - (\$3,426)

Overview: 2002 Session Fiscal and Budgetary Actions

FY 02-03

1241 State Historic Sites

35 Personnel and Operating Budget Reductions

(\$586,197) R

Eliminate salary and benefits for three (3) vacant positions and the following line items:

-3.00

Hst. Sites Specialist I-#4802-0401-0002-327 - (\$32,163)
Historic Interpreter I-#4802-0415-0002-424 - (\$20,125)
Historic Interpreter II-#4802--0421-0002-459 - (\$31,384)

531311 Reg. Temporary Salaries/Approp - (\$369,001)
531511 Social Security Contribution - (\$34,630)
531521 Regular Retirement Contribution - (\$4,183)
531561 Medical Insurance Contribution - (\$8,799)
532185 Waste Removal - (\$225)
532199 Miscellaneous Contractual Service - (\$280)
532210 Electrical- (\$1,000)
532220 Natural Gas/Propane - (\$900)
532390 Repairs-Other - (\$1,500)
532490 Maintenance Agreement - (\$219)
532714 Transportation Ground/In State - (\$3,000)
532721 Lodging/In State - (\$200)
532724 Meals/In State - (\$100)
532811 Telephone - (\$2,000)
532812 Data Charge - (\$224)
532840 Postage, Freight, Delivery - (\$300)
532850 Print, Bind, Duplicate - (\$17,000)
532860 Advertising - (\$2,000)
533110 General Office Supplies - (\$200)
533310 Gasoline - (35)
533320 Diesel Fuel - (\$50)
533350 Motor Vehicle Replacement Part - (\$50)
533900 Other Materials and Supplies - (6,129)
534610 Art and Artifacts - (\$50,000)
534539 Other Equipment - (\$500)

1242 Tryon Palace

36 Personnel and Operating Budget Reductions

(\$141,657) R

Eliminate salary and benefits of three (3) vacant positions, a position that will be vacant as of 6/29/02, and reduce the following line items:

-4.00

Museum Security Guard-#4802-0500-0002-503 - (\$21,420)
Museum Specialist/Hort.-#4802-0500-0002-504 - (\$27,555)
Museum Specialist-#4802-0500-0002-531 - (\$27,038)
General Utility Worker-#4802-0500-0002-524 - (\$19,127)
(6/29/02)

531511 Social Security Contributions/ Approp - (\$7,278)
531521 Reg Retirement Contributions/ Approp - (\$4,757)
531561 Med Insurance Contributions/Approp - (\$11,732)
532490 Maintenance Agreement-Other - (\$27)
534539 Other Equipment - (\$4,363)
534610 Art and Artifacts - (\$14,975)
534630 Library and Learning Resources - (\$2,085)
535830 Membership Dues and Subscriptions - (\$1,300)

1243 Capitol/Visitor Center**37 Personnel and Operating Budget Reductions**

(\$39,850) R

Eliminate salary and benefits for one-quarter of a filled Museum Specialist position and reduce the following line items:

-0.25

Museum Specialist-#4802-0600-0002-561 - (\$7,375)

531311 Temporary Salaries - (\$23,298)

531511 Social Security Contribution - (\$2,347)

531521 Retirement Contributions - (\$369)

532513 Rent of Conference Room - (\$734)

532811 Telephone Service - (\$903)

532850 Printing - (\$1,627)

533900 Other Materials and Supplies - (\$2,847)

534522 Equipment/Computers - (\$350)

1245 NC Maritime Museum**38 Personnel and Operating Budget Reductions**

(\$87,042) R

Eliminate salary and benefits of vacant positions - (1) full time, one reduced by one-quarter, and adjust line items as follows:

-1.25

Nat. Sci. Curator I (.25)-#4802-1000-0002-896 - (\$9,049)

Curator/Boatbuilding Tech-#4802-1000-0002-901- (\$39,532)

531511 Social Security Contributions/Approp - (\$3,716)

531521 Reg Retirement Contributions/ Approp - (\$2,429)

531561 Med Insurance Contributions/ Approp - (\$2,933)

532320 Repairs-Other Structures - (\$3,000)

532331 Repairs-Motor Vehicles - (\$2,045)

533240 Carpentry/Hardware - (\$687)

533310 Gas - (\$1,000)

533350 Motor Vehicle Parts - (\$1,000)

533410 Food Supplies - (\$2,000)

533900 Other Materials and Supplies - (\$3,295)

534522 Computers - (\$7,000)

534539 Other Equipment - (\$6,356)

535900 Other Expenses - (\$3,000)

1250 Historic Preservation**39 Personnel and Operating Budget Reductions**

(\$118,192) R

Eliminate salary and benefits for one vacant Historic Preservation/Restoration Supervisor position and one filled Historic Preservation/Restoration Specialist II position, and reduce line items as follows:

-2.00

Hst Pres/Rest Supv-#4802-0701-0002-601 - (\$54,434)

Hst Pres/Rest Spec II-#4802-0702-0002-615 - (\$31,940)

531511 Social Security Contributions/Approp - (\$6,607)

531521 Retirement Contributions/Approp - (\$4,319)

531561 Medical Insurance Contribution - (\$5,866)

532188 Lawns and Grounds - (\$2,200)

534522 Computers - (\$12,826)

Overview: 2002 Session Fiscal and Budgetary Actions

FY 02-03

1290 Western Office

40 Personnel Reduction

(\$42,878) R

Eliminate salary and benefits for one vacant position:

-1.00

Hst. Pres/Rest. Spec I-#4802-0900-0002-854 - (\$35,459)

531511 Social Security Contribution/ Approp - (\$2,713)

531521 Reg Retirement Contributions/ Approp - (\$1,773)

531561 Med Insurance Contributions/ Approp - (\$2,933)

1320 Museum of Art

41 Personnel and Operating Budget Reductions

(\$314,431) R

Eliminate salary and benefits for 6.5 vacant positions and reduce the following line items:

-6.50

Curator-#4803-0200-0003-095 - (\$54,523)

Office Asst II(.50)-#4803-0200-0003-186 - (\$9,991)

Security Officer I-#4803-0200-0003-242 - (\$21,377)

Security Officer I-#4803-0200-0003-256 - (\$22,365)

Computer Support Tech-#4803-0200-0003-259 - (\$29,810)

Security Officer I-#4803-0200-0003-265 - (\$24,551)

Museum Security Guard-#4803-0200-0003-292 - (\$21,984)

531511 Social Security Contributions/ Approp - (\$14,122)

531521 Reg. Retirement Contributions/ Approp - (\$5,316)

531531 LEO Retirement/ Approp - (\$6,829)

531561 Medical Insurance Cont/ Approp - (\$17,598)

534610 Art & Artifacts - (\$85,965)

1330 NC Arts Council

42 Operating Budget Adjustments

(\$495,177) R

Reduce funds in the following line items and grant programs:

532714 Transportation Ground/In State - (\$5,000)

532721 Lodging/In State - (\$4,744)

532840 Postage, Freight & Delivery - (\$16,000)

532850 Print, Bind, Duplicate - (\$14,000)

536990 Basic Grants Program/ Approp - (\$284,309)

536996 Grassroots Arts Program- (\$130,500)

536948 Lost Colony - (\$20,312)

536971 Shakespeare Festival - (\$20,312)

1340 NC Symphony

43 Personnel Reduction

(\$29,284) R

Eliminate salary and benefits for one vacant position:

-1.00

Office Assistant III-#4807-0400-0003-640 - (\$23,392)

531511 Social Security Contributions/ Approp - (\$1,789)

531521 Reg Retirement Contributions/ Approp - (\$1,170)

531561 Med Insurance Contributions/ Approp - (\$2,933)

Overview: 2002 Session Fiscal and Budgetary Actions

FY 02-03

1360 Grants in Aid to the Arts

44 Operating Budget Reductions

(\$168,402) R

Reduce grant budgets next fiscal year for:

536932 Vagabond School of Drama - (\$3,788)
536935 NC State Art Society - (\$606)
536937 NC Symphony Society, Inc - (\$164,008)

1410 State Library Services

45 Personnel and Operating Budget Reductions

(\$373,882) R

Eliminate salary and benefits of vacant positions - four (4) full time and one (1) part-time, and reduce the following line items:

-4.95

Library Assistant-#4804-0200-0004-180 - (\$26,266)
Lib Clerk II, PT (.950)-#4804-0200-0004-196 - (\$17,692)
Library Assistant-#4804-0400-0004-680 - (\$25,326)
Processing Unit Supv V-#4804-0400-0004-694 - (\$31,471)
Processing Assistant II-#4804-0400-0004-722 - (\$19,210)

531311 Temporary Salaries - (\$13,580)
531511 Social Security Contributions - (\$10,217)
531521 Retirement Contributions - (\$6,001)
531561 Medical Contribution - (\$14,665)
532850 Printing and Binding - (\$8,288)
534630 Library Learning Resources - (\$201,166)

1480 State Library Statewide Programs

46 Operating Budget Reductions

(\$1,329,173) R

Reduce the following accounts:

532812 Telecommunications Data Charges - (\$144,720)
536960 Aid to Counties - (\$1,184,453)

47 Aid to Counties

Provide funds to maintain level of State support in
536960 - Aid to Counties - to support county libraries.

\$1,184,453 NR

Overview: 2002 Session Fiscal and Budgetary Actions

FY 02-03

1500 Museum of History

48 Personnel and Operating Budget Reductions

(\$445,627) R

Eliminate salary and benefits for vacant positions - four (4) full time and three (3) part-time, and reduce the following line items:

-4.32

Museum Curator, PT (.025)-#4808-0801-0002-760 - (\$1)
 Associate Museum Curator-#4808-0801-0002-769 - (\$31,998)
 Office Asst IV,PT (.275)-#4808-0801-0002-798 - (\$7,871)
 Assoc Museum Curator-#4808-0802-0002-804 - (\$29,354)
 Housekeeper, PT (.025)-#4808-0802-0002-819 - (\$418)
 Office Assistant IV-#4808-0804-0002-845 - (\$23,178)
 General Utility Worker-#4808-0804-0002-848 - (\$18,321)

531311 Reg Temporary Salary/Approp - (\$62,254)
 531511 Social Security Contribution/Approp - (\$13,232)
 531521 Retirement Contributions/Approp - (\$5,536)
 531561 Medical Insurance Contributions - (\$20,531)
 532310 Repairs-Buildings - (\$4,583)
 532331 Repairs-Motor Vehicles - (\$2,500)
 532490 Maintenance Agreements - (\$7,000)
 532712 Transportation Air/Out of State - (\$5,000)
 532714 Transportation Ground/In State - (\$16,000)
 532722 Lodging/Out of State - (\$5,000)
 532840 Postage, Freight, Delivery - (\$15,624)
 532850 Print, Bind, Duplicate - (\$17,745)
 532860 Advertising - (\$31,735)
 532942 Other Employee Educational Expenses - (\$4,545)
 533110 General Office Supplies - (\$10,000)
 533900 Other Materials and Supplies - (\$44,000)
 534511 Furniture-Office - (\$8,000)
 534521 Office Equipment - (\$4,500)
 534522 Computers - (\$4,000)
 534528 Communications Equipment - (\$12,000)
 534539 Other Equipment - (\$7,130)
 534549 Other Motorized Vehicles - (\$15,000)
 534610 Art and Artifacts - (\$8,291)
 534630 Library Learning Resources Collections - (\$6,160)
 534710 Computer Software - (\$2,120)
 535830 Membership Dues - (\$2,000)

Budget Changes

(\$4,794,666) R

\$1,184,453 NR

Total Position Changes

-35.45

Revised Total Budget

\$55,817,206

Special Provisions **SB 1115**

Department: Cultural Resources

Section: 21.1

Title: **NC Arts Council Limit Use of Consultants**

Summary: Limits use of consultants to evaluate and approve arts and cultural grants.

Section: 21.2

Title: **Museum Admission Fee Study**

Summary: Directs Office of State Budget and Management in consultation with the Fiscal Research Division to study the feasibility of charging an admission fee at State museums and other similar facilities open to the public. The report is due November 1, 2002.

Per Section 81 of S.L. 2002-159 (SB 1217), the due date for the report was changed to February 1, 2003.

Special Provisions **SB1217**

Department: Cultural Resources

Section: 35(a)-(m)

Title: **Conforming Changes to Statutes Due to Reorganization in the Department**

Summary: Amends various statutes per the sections below as a result of the reorganization in the department:

- (a) G.S. 70-28(1) indicates Chief Archaeologist means Chief of the Office of Archives and History;
- (b) G.S. 70-48(5) indicates State Archaeologist means the head of the Archaeology Section of the Office of Archives and History;
- (c), (d), (f), (i), (j), & (m) in G.S. 70-49(a), G.S. 70-50(b3)(7), G.S. 120-37(f), G.S. 132-6.1(b), G.S. 143B-127, and G.S. 160A-400.6 indicates the reference to Archives and History is changed from Division to Office;
- (e) G.S. 105-129.36(b)(4) indicates the Deputy Secretary of Archives and History or the Deputy Secretary's designee and not the Director of the Division of Archives and History or the Director's designee will act to administer the historic preservation programs;
- (g) G.S. 121-7 indicates the reference to Archives and History is changed from Division to Office and removes references to the North Carolina Museum of History or North Carolina Museum of History Division's responsibilities in various areas, and the reference to the Museum of History Artifact Fund;
- (h) G.S. 121-8(b) indicates that upon approval of the NC Historical Commission the Deputy Secretary Archives and History and not the Director of the Division of Archives and History will nominate appropriate properties for entry in the National Register of Historic Places;
- (k) G.S. 143B-62 is revised per grammatical changes, references to the Deputy Secretary Archives and History are substituted for the North Carolina Museum of History Division Director, and the reference to Archives and History is changed from Division to Office; and
- (l) G.S. 143B-132 indicates the reference to Archives and History is changed from Division to Office, and is revised per grammatical changes.

Overview: 2002 Session Fiscal and Budgetary Actions

Cultural Resources - Roanoke Island Commission

		GENERAL FUND	
		FY 02-03	
Total Budget Approved 2001 Session		\$1,859,463	
Budget Changes			
2584 Roanoke Island Commission			
49 Operating Budget Reduction		(\$151,222)	R
Reduce amount of funding transferred to Special Fund.			
Budget Changes		(\$151,222)	R
Total Position Changes			
Revised Total Budget		\$1,708,241	

Special Provisions **SB 1115**

Department: Cultural Resources - Roanoke Island Commission

Section:

Title: **(No Special Provisions reported)**

Summary:

Overview: 2002 Session Fiscal and Budgetary Actions

General Assembly

GENERAL FUND

FY 02-03

Total Budget Approved 2001 Session

\$39,553,848

Budget Changes

Departmentwide

50 Personnel and Operating Budget Reductions

(\$1,514,904) R

Eliminate salary and benefits for six vacant positions, eliminate four additional vacant positions in the President Pro Tempore Office and in the House, and reduce line items.

-10.00

Personnel - (\$253,037):

531111 Regular Salaries/Approp - (\$209,000)

531511 Social Security/Approp - (\$15,989)

531521 Retirement - (\$10,450)

531561 Med Insurance Contribution/Approp - (\$17,598)

The following line items are reduced based upon an allowance for 24 weeks rather than 28 weeks of session:

Temporary Labor - (\$1,261,867):

Senate

1110-531311 Regular Temporary Wages - (\$339,006)

1110-531511 Social Security Contributions - (\$25,937)

1110-531521 Reg Retirement Contributions - (\$16,950)

House

1120-531311 Regular Temporary Wages - (\$588,818)

1120-531511 Social Security Contributions - (\$45,041)

1120-531521 Reg Retirement Contributions - (\$29,439)

Administrative

1211-531311 Regular Temporary Wages - (\$157,471)

1211-531511 Social Security Contributions - (\$12,047)

1211-531521 Reg Retirement Contributions - (\$7,874)

Fiscal Research

1214-531311 Regular Temporary Wages - (\$1,247)

1214-531311 Regular Security Contributions - (\$95)

1214-531521 Reg Retirement Contributions - (\$62)

Building Maintenance

1215-531311 Regular Temporary Wages - (\$33,629)

1215-531311 Regular Security Contributions - (\$2,573)

1215-531521 Reg Retirement Contributions - (\$1,681)

Overview: 2002 Session Fiscal and Budgetary Actions

FY 02-03

51 Operating Budget Reductions

(\$574,450) R

Additional reductions based upon 24 weeks of session:

Member Subsistence Days - (\$495,040):
Senate 1110-532727 Misc./In State - (\$145,600)

House 1120-532727 Misc./In State - (\$349,440)

Member and Staff travel - (\$79,410):
Senate
1110-532714 Transp Air/Out State - (\$15,669)

House
1120-532714 Transp-Ground/In-State - (\$39,429)

Administrative
1211-532712 Transp Air/Out State - (\$950)
1211-532714 Transp-Ground/In-State - (\$1,131)
1211-532724 Meal/In State - (\$50)
1211-532725 Meals/Out of State - (\$1,033)
1211-532727 Miscellaneous Travel - (\$2,217)

Bill Drafting
1212-532712 Transp Air/Out State - (\$850)
1212-532714 Transp-Ground/In-State - (\$500))
1212-532722 Lodging/out of State - (\$633)
1212-532724 Meal/In State - (\$250)
1212-532725 Meals/Out of State - (\$500)

General Research
1213-532712 Transp Air/Out State - (\$2,350)
1213-532714 Transp-Ground/In-State - (\$500)
1213-532722 Lodging/out of State - (\$1,000)
1213-532724 Meal/In State - (\$400)
1213-532725 Meals/Out of State - (\$1,033)

Fiscal Research
1214-532712 Transp Air/Out State - (\$3,450)
1214-532714 Transp-Ground/In-State - (\$1,800)
1214-532722 Lodging/out of State - (\$1000)
1214-532724 Meal/In State - (\$850)
1214-532725 Meals/Out of State - (\$1,283)

Information Systems
1217-532712 Transp Air/Out State - (\$1,250))
1217-532714 Transp-Ground/In-State - (\$250)
1217-532724 Meal/In State - (\$250)
1217-532725 Meals/Out of State - (\$783)

Overview: 2002 Session Fiscal and Budgetary Actions

FY 02-03

52 Additional Budget Reductions

(\$564,880) R

Central Temp Staff Work Schedule - (\$157,608):

Administrative

1211-531311 Regular Temporary Wages - (\$114,544)

1211-531511 Social Security Contributions - (\$8,762)

1211-531521 Reg Retirement Contributions - (\$5,727)

Fiscal Research

1214-531311 Regular Temporary Wages - (\$907)

1214-531511 Social Security Contributions - (\$69)

1214-531521 Reg Retirement Contributions - (\$45)

Building Maintenance

1215-531311 Regular Temporary Wages - (\$24,460)

1215-531511 Social Security Contributions - (\$1,817)

1215-531521 Reg Retirement Contributions - (\$1,223)

All Budgeted Agency Reserves - (\$407,272):

Senate 1110-537195 Reserves - (\$74,272)

House 1120-537195 Reserves - (\$66,621)

Food Service 1216-537195 Reserves - (\$1,000)

Legislative Res 1220-537195 Reserves - (\$68,754)

Res and Transfers 1900-537195 Reserves - (\$187,625)

Budget Changes

(\$2,654,234) R

Total Position Changes

-10.00

Revised Total Budget

\$36,899,614

Special Provisions **SB 1115**

Department: General Assembly

Section:

Title: **(No Special Provisions reported)**

Summary:

Overview: 2002 Session Fiscal and Budgetary Actions

Governor

GENERAL FUND

FY 02-03

Total Budget Approved 2001 Session

\$5,442,905

Budget Changes

1110 Administration

53 Personnel Reductions

(\$206,585) R

Eliminate the following vacant positions:

-5.00

Executive Assistant - 3000-0000-0000-641 - (\$40,422)
2 Admin. Assist. - 3000-0000-0000-066/907s - (\$86,966)
Pub. Info. Assist. IV - 3000-0000-0000-072 - (\$29,547)
Policy Assistant - 3000-0000-0000-332 - (\$49,650).

1120 Dues to National Associations

54 Reduction in Dues

(\$168,001) R

Reduce the dues paid to national associations. In addition to other dues the Governor's Office may decide to pay, it shall continue to pay the dues for the Council of State Governments out of the remaining funds.

1130 Intergovernmental Relations

55 Personnel Reductions

(\$97,817) R

Eliminate salary and benefits for the following vacant positions:

-2.00

Admin. Assist.- 3000-0000-0000-207 - (\$32,058)
Military Liaison - 3000-0000-0000-205 - (\$65,759).

1631 Raleigh Executive Residence

56 Personnel Reduction

(\$32,192) R

Eliminate the salary and benefits for one vacant Receptionist position (3000-0000-0000-408).

-1.00

Budget Changes

(\$504,595) R

Total Position Changes

-8.00

Revised Total Budget

\$4,938,310

Special Provisions **SB 1115**

Department: Governor

Section:

Title: **(No Special Provisions reported)**

Summary:

Overview: 2002 Session Fiscal and Budgetary Actions

Insurance

GENERAL FUND

FY 02-03

Total Budget Approved 2001 Session

\$23,527,552

Budget Changes

1100 Administration

57 Personnel and Operating Budget Reductions

(\$51,624) R

Eliminate the salary and benefits (\$4,171) for a partial Insurance Regulatory Analyst position (3902-0000-0000-104). Also reduces the operating budget by \$47,453 in the following line items:

-0.10

534500 Equipment / Furniture (\$2,453)
532700 Travel (\$35,000)
535800 Other Administrative Expense (\$10,000)

1200 Company Services

58 Personnel and Operating Budget Reductions

(\$521,134) R

Eliminate the salary and benefits for the following two full-time positions:

-2.23

Ins Company Ex. I 3905-0000-0005-329 (\$59,258)
Ins Company Ex. I 3924-0000-0024-304 (\$54,254)

Eliminate the salary and benefits for the following partial positions which are equivalent to .23 positions:

Ins Company Ex. I 3905-0000-0005-341 (\$1,254)
Computer Trng Spec. 3922-0000-0004-073 (\$1,523)
Ins Company Ex. I 3924-0000-0024-302 (\$1,146)
Ins Company Ex. I 3924-0000-0024-303 (\$1,163)
Ins Company Ex. I 3924-0000-0024-455 (\$1,146)
Adm n. Sec. III 3929-0000-0029-202 (\$1,301)

Reduces the operating budget by \$400,089 in the following line items:

534500 Equipment / Furniture (\$80,651)
532700 Travel (\$179,438)
535800 Other Administrative Expense (\$20,000)
532900 Other Services (\$75,000)
532800 Communication and Data Processing (\$30,000)
533100 General Administrative Expense (\$15,000)

1300 Technical Services**59 Personnel and Operating Budget Reductions**

(\$775,822) R

Eliminate the salary and benefits for the following full-time position:

-1.20

Ins Reg. Anal. I 3920-0000-0002-026 (\$51,495)

Eliminate the salary and benefits for the following partial positions which are equivalent to .2 positions:

Proc. Asst. IV 3904-0000-0000-261 (\$1,159)

Ins Reg. Anal. I 3913-0000-0001-222 (\$1,954)

Ins Reg. Anal. I 3928-0100-0000-036 (\$1,954)

Proc. Asst. III 3928-0200-0000-023 (\$1,076)

Reduces the operating budget by \$718,184 in the following line items:

534500 Equipment / Furniture (\$142,854)

532700 Travel (\$407,038)

535800 Other Administrative Expense (\$13,196)

532800 Communication and Data Processing (\$135,096)

533100 General Admin. Supplies (\$20,000)

1400 Public Services**60 Personnel and Operating Budget Reductions**

(\$137,556) R

Eliminate the salary and benefits for a partial Investigator position (3908-0000-0008-946) at \$901. Also reduces the operating budget in the following line items:

-0.03

534500 Equipment / Furniture (\$11,353)

532700 Travel (\$100,000)

535800 Other Administrative Expense (\$8,302)

533100 General Admin. Supplies (\$17,000)

1500 Office of State Fire Marshall**61 Personnel and Operating Budget Reductions**

(\$395,968) R

Eliminate the salary and benefits for a vacant Fire & Rescue Training Supervisor position (3901-0000-0001-070). Also reduces the operating budget by \$341,554 in the following line items:

-1.00

534500 Equipment / Furniture (\$23,386)

532700 Travel (\$140,000)

535800 Other Administrative Expense (\$4,000)

532800 Communication & Data Processing (\$144,168)

534700 Intangible Assets (\$30,000).

Overview: 2002 Session Fiscal and Budgetary Actions

FY 02-03

Departmentwide

62 Restore Budget Reductions

\$1,882,104 R

Section 9 of S.L. 2002-144 (SB 1105) amended section 2.1 of S.L. 2002-126 (SB 1115) to eliminate the \$1,882,104 reduction from General Fund appropriations for the Department of Insurance. The effect of S.L. 2002-144 is to restore the reductions and 4.56 positions for Administration (Fund 1100), Company Services (Fund 1200), Technical Services (Fund 1300), Public Services (Fund 1400), and the Office of State Fire Marshall (Fund 1500) that are detailed in the five preceding items above and in items 57 - 61 on pages J23 - J25 of the Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets (dated September 18, 2002) referenced in section 31.2(a) of S.L. 2002-126.

4.56

Budget Changes

\$0 R

Total Position Changes

0.00

Revised Total Budget

\$23,527,552

Special Provisions **HB 1105**

Department: Insurance

Section:

Title: Insurance Regulatory Fund Changes

Summary: Section 1 amends G.S. 58-6-25(d) to provide that the Insurance Regulatory Fund shall reimburse the General Fund for money appropriated to the Department of Insurance to pay its expense incurred in connection with (1) providing staff support for State boards and commissions, including the NC Manufacturing Housing Board, State Fire and Rescue Commission, NC Building Code Council, NC Code Officials Qualification Board, Public Officers, and Employees Liability Insurance Commission, NC Home Inspector Licensure Board, and the Volunteer Safety Workers' Compensation Board, (2) providing continuing education programs under Article 33 of Chapter 58 and (3) the purchase and sale of copies of the NC State Building Code.

The bill directs the Commissioner of Insurance to credit continuing education fees, as well as fees collected by the Manufacturing Housing Board and proceeds from the sales of the Building Code to the Insurance Regulatory Fund.

The bill requires the insurer, in the case of an examination, to bear the cost of specified professional services retained by the Commissioner and to send records to the Department of Insurance for examination.

Finally, the bill restores the reductions to the Department of Insurance that were included in S.L. 2002-126 (SB 1115, the appropriations bill).

Special Provisions **SB 1115**

Department: Insurance

Section: 15.5

Title: Insurance Regulatory Fund Reimbursement

Summary: Section 15.5 amends G.S. 58-6-25(d) to provide that the Insurance Regulatory Fund shall reimburse the General Fund for money appropriated to the Department of Justice to pay its expenses incurred in representing the Department of Insurance in its regulation of the insurance industry and other related programs and industries in this State that fall under the jurisdiction of the Department of Insurance.

Section 2.2(i) allows a reimbursement from the Insurance Regulatory Fund to the General Fund for \$600,000 for the 2002-2003 fiscal year for the costs and expenses incurred by the Department of Justice as provided in Section 15.5.

Insurance - Workers' Compensation for Volunteer Firemen

FY 02-03

\$4,500,000

(\$2,500,000) NR

(\$2,500,000) NR

\$2,000,000

Special Provisions **SB 1115**

Department: Insurance - Workers' Compensation for Volunteer Firemen

Section:

Title: **(No Special Provisions reported)**

Summary:

Overview: 2002 Session Fiscal and Budgetary Actions

Lieutenant Governor

GENERAL FUND

FY 02-03

Total Budget Approved 2001 Session

\$669,545

Budget Changes

1110 Administration

64 Personnel Reduction

(\$53,280) R

Eliminate salary and benefits for one vacant position and
reduce the salary of another vacant position as follows:

-1.00

Spc Asst/Constituent Affr -#3100-0000-0016-020 - (\$30,625)

Asst for Res & Policy -#3100-0000-0016-020 - (\$11,465)

531511 Social Security Contributions - (\$3,220)

531521 Reg. Retirement Contributions - (\$2,104)

531561 Medical Insurance Contributions - (\$5,866)

Budget Changes

(\$53,280) R

Total Position Changes

-1.00

Revised Total Budget

\$616,265

Special Provisions **SB 1115**

Department: Lieutenant Governor

Section:

Title: **(No Special Provisions reported)**

Summary:

Overview: 2002 Session Fiscal and Budgetary Actions

Office of Administrative Hearings

GENERAL FUND

FY 02-03

Total Budget Approved 2001 Session

\$2,795,155

Budget Changes

1100 Administration & Operations

65 Personnel and Operating Budget Reductions

(\$211,242) R

Eliminate salary and benefits for three vacant positions
and reduce the following line items:

-3.00

Administrative Asst-#8210-1100-0000-005 - (39,164)

Administrative Officer-#8210-1100-0000-031 - (\$40,807)

Admin Law Judge-#8210-1100-0000-051 - (\$82,718)

531511 Social Security Contributions - (\$12,692)

531521 Reg Retirement Contributions/Approp - (\$8,296)

531561 Med Insurance Contributions/Approp - (\$8,799)

532850 Printing - (\$12,200)

534600 Library and Learning Resources - (\$6,566)

1100 Administration & Operations

66 432101 Receipts - Federal Reimbursement

(\$22,500) R

Increase federal receipts.

Budget Changes

(\$233,742) R

Total Position Changes

-3.00

Revised Total Budget

\$2,561,413

Special Provisions **SB 1115**

Department: Office of Administrative Hearings

Section:

Title: **(No Special Provisions reported)**

Summary:

Overview: 2002 Session Fiscal and Budgetary Actions

Revenue

GENERAL FUND

FY 02-03

Total Budget Approved 2001 Session

\$77,955,704

Budget Changes

1605 Information Technology Services

67 Operating Budget Reductions

(\$700,000) R

Reduce the following accounts in FY 02-03:

532821 Computer/Data Processing Services/ITS Storage -
(\$500,000))

532821 Computer/Data Processing Services - (\$200,000)
(ITS Efficiency Processing)

1643 Taxpayer Assistance

68 Personnel Reductions

(\$228,295) R

Eliminate salary, benefits, and operating cost for seven
vacant positions:

-7.00

Processing Assistant III-#4782-0000-0065-738 - (\$20,795)
Revenue Tax Auditor I-#4782-0000-0065-746 - (\$39,267)
Processing Assistant IV-#4782-0000-0065-751 - (\$23,031)
Processing Assistant III-#4782-0000-0065-765 - (\$19,105)
Revenue Tax Auditor I-#4782-0000-0065-798 - (\$36,789)
Processing Assistant III-#4782-0000-0065-816 - (\$20,207)
Processing Assistant V-#4782-0000-0065-820 - (\$25,239)

531511 Social Security Contributions/Approp - (\$14,109)
531521 Reg Retirement Contributions/Approp - (\$9,222)
531561 Med Insurance Contributions/Approp - (\$20,531)

1661 Project Collect Tax

69 Operating Budget Reductions

(\$600,000) R

Adjust information technology services (532140).

Overview: 2002 Session Fiscal and Budgetary Actions

FY 02-03

1681 Administrative Services

70 Operating Budget Reductions

(\$387,850) R

Adjust the following accounts in FY 02-03:

532512 Rents/Lease-Building - (\$20,000)

532811 Telephone Service @\$350/position X 21:
Fund 1643 (7), Fund 1685 (12), and
Fund 1860 (2)

532840003 Post age, Freight & Delivery - Postal
Meters - (\$100,000)

532850001 Forms (Tax Returns) - (\$250,000)

533110 Gen Office Supplies @\$500/position X 21:
Fund 1643 (7), Fund 1685 (12), and
Fund 1860 (2)

1685 Documents and Payments Processing

71 Personnel and Operating Budget Reductions

(\$384,592) R

Eliminate salary, benefits, and operating cost for twelve
vacant positions:

-12.00

Revenue Admin Off III-#4787-0000-0090-006 - (\$71,674)
Processing Assistant III-#4787-0000-0090-130 - (\$19,105)
Processing Assistant III-#4787-0000-0090-170 - (\$19,967)
Data Entry Specialist-#4787-0000-0090-725 - (\$27,101)
Processing Assistant III-#4787-0000-0090-852 - (\$19,105)
Data Entry Specialist-#4787-0000-0090-899 - (\$23,609)
Processing Assistant III-#4787-0000-0091-205 - (\$21,598)
Processing Assistant III-#4787-0000-0095-110 - (\$19,467)
Processing Assistant III-#4787-0000-0095-115 - (\$19,467)
Processing Assistant III-#4787-0000-0095-120 - (\$20,973)
Processing Assistant III-#4787-0000-0095-121 - (\$20,994)
Processing Assistant III-#4787-0000-0095-122 - (\$27,101)

531511 Social Security Contribution/Approp - (\$23,727)
531521 Reg Retirement Contributions/Approp - (\$15,508)
531561 Med Insurance Contributions/Approp - (\$35,196)

1860 Utilities Franchise

72 Personnel and Operating Budget Reduction

(\$83,663) R

Transfer two (2) positions and operating budget responsible for collection and distribution of taxes collected on utilities for municipalities in the Examination and Collection Division from the General Fund to receipt- support in a division to be established - Utilities Franchise.

-2.00

Revenue Tax Auditor I-#4784-0000-0076-526 - (\$36,144)
Inform Processing Tech-#4784-0000-0076-549 - (\$32,917)

531511 Social Security Contributions/ Approp - (\$5,283)
531521 Reg Retirement Contributions/ - Approp - (\$3,453)
531561 Med Insurance Contributions/Approp - (\$5,866)

Budget Changes	(\$2,384,400)	R
Total Position Changes	-21.00	
Revised Total Budget	\$75,571,304	

Special Provisions **SB 1115**

Department: Revenue

Section: 22.2

Title: **DOR Reports on Debt Collection**

Summary: Extends the reporting requirement for Project Collect Tax to June 30, 2005, and slightly changes the information in the report to itemize collections by type of tax.

Section: 22.3

Title: **DOR Vacant Position:**

Summary: Increases staff in the Criminal Investigations Division to enhance investigation of fraudulent taxpayers. The department may use up to \$855,047 from the reclassification of vacant positions for Revenue and the Department of Justice's personnel and operating costs.

Section: 22.4

Title: **DOR Debt Collection Funds**

Summary: Related to the \$600,000 adjustment in IT services in the Project Collect Tax Division (Item 68). Allows the department to recover the costs in FY 02-03 from the collection assistance fee account created for deposits related to collections under the Project.

Section: 22.5

Title: **DOR Report on Local Tax Administration Expenses**

Summary: Authorizes quarterly reports on administrative expenditures that will include information specific to personnel, operating expenses, and nonrecurring expenses by division that is withheld from collection and distribution of taxes to local governments. The report is due to the chairs of the Appropriations and Finance Committees of each house 20 days after the end of each quarter.

Section: 22.6

Title: **DOR Taxpayer Telecommunications Service**

Summary: Allows the department to draw up to \$3 million through June 30, 2004 from the 20% collection assistance fee account created for deposits related to collections under Project Collect Tax to establish and equip a central taxpayer telecommunications service center for collections and assistance, and for costs to align local field offices with the new center. Directs the Secretary of Revenue to consult with the Joint Legislative Commission on Governmental Operations on the detailed plan with proposed costs by October 31, 2002. Additionally, directs the department to present quarterly reports on the use of funds and the progress of establishing the center to the Commission beginning January 1, 2003 through the end of the second quarter following completion of the projects.

Special Provisions **SB 1292**

Department: Revenue

Section:

Title: **Accelerate the Additional One-Half Cent Local Option Sales and Use Tax**

Summary: Session Law 2002-123 (Senate Bill 1292) authorizes a one-half cent optional local sales and use tax. Sections 4 and 5 specifically allow the department in FY 2002-03 to withhold up to \$275,000 to satisfy excess nonrecurring costs that may be incurred in implementing and administering Article 44 of Chapter 105 of the General Statutes; and to contract for supplies, materials, equipment, and contractual services related to the provision of notice, the creation of tax forms and instructions, and the development of computer software required by the amendments of the act without being subject to the requirements of Article 3 or Article 8 of Chapter 143 of the General Statutes.

Overview: 2002 Session Fiscal and Budgetary Actions

Rules Review Commission

GENERAL FUND

FY 02-03

Total Budget Approved 2001 Session

\$325,795

Budget Changes

1100 Administration

73 Operating Budget Reductions

(\$9,981) R

Reduce funds for FY 02-03 in the following accounts:

532712 Transportation Air/Out of State - (\$100)
532714 Transportation/In State - (\$75)
532715 Transportation/Out of State - (\$50)
532722 Lodging out of State - (\$400)
532725 Meals/Out of State - (\$70)
532811 Telephone - (\$270)
532821 Computer/Data Processing - (\$406)
532840 Postage, Freight, Delivery - (\$250)
532850 Printing, Binding, Duplicate - (\$250)
532930 Registration Fees - (\$500)
532942 Other Employee Expense - (\$400)
534511 Office Furniture - (\$3000)
534521 Office Equipment - (\$500)
534522 Equipment/Computers - (\$2000)
534630 Library and Learning - (\$1000)
534710 Computer Software - (\$510)
535830 Membership Dues & Subscription - (\$200)
534521 Office Equipment - (\$500)

Budget Changes

(\$9,981) R

Total Position Changes

Revised Total Budget

\$315,814

Special Provisions **SB 1115**

Department: Rules Review Commission

Section:

Title: **(No Special Provisions reported)**

Summary:

Overview: 2002 Session Fiscal and Budgetary Actions

Secretary of State

GENERAL FUND

FY 02-03

Total Budget Approved 2001 Session

\$8,286,850

Budget Changes

1110 Administration

74 Operating Budget Reduction

(\$29,649) R

Reduce the operating budget for systems implementation (532140) by \$29,053 and for computer/data processing services (532821) by \$596.

1120 Publications

75 Personnel and Operating Budget Reductions

(\$64,478) R

Eliminate the salary and benefits (\$24,478) for a filled Mail Clerk II position (3212-0000-0000-124). Also reduces the operating budget for printing and binding (532850) by \$40,000.

-1.00

1210 Corporations

76 Personnel and Operating Budget Reductions

(\$52,224) R

Eliminate the salary and benefits for 2 filled Processing Assistant IV positions.

-2.00

77 Personnel Reduction

(\$137,147) R

Eliminate the salary and benefits (\$26,112) for one Data Control Clerk IV. Also reduces the operating budget for systems implementation (532140) by \$39,414 and computer/data processing (532821) by \$71,621.

-1.00

1220 Uniform Commercial Code

78 Personnel and Operating Budget Reductions

(\$55,817) R

Eliminate the salary and benefits for the following positions:

-2.00

Proc. Assistant V (vacant) - 3222-0000-0000-393 - (\$27,999)
Mail Clerk II (filled)- 3222-0000-0000-411 - (\$25,084).

Also reduces the operating budget for communication and data processing by \$2,734.

Overview: 2002 Session Fiscal and Budgetary Actions

FY 02-03

1230 Securities Division

79 Securities Fraud Enforcement

Provides funding for three unsworn securities investigator positions (pay grade 71), effective November 1, 2002. The prorated recurring funding (\$50,375) for each position provides \$22,189 in salaries, \$4,762 in benefits, \$19,090 in travel, \$867 in communication expenses, and \$3,467 in education and other expenses. The nonrecurring funding (\$5,330) provides \$2,130 for furniture/equipment and \$3,200 in computers for each position. (SB 1455, Section 8.)

\$151,125 R
\$15,990 NR
3.00

1300 Notary Public

80 Operating Budget Reduction

Reduce the operating budget for computer/data processing services (532821).

(\$5,766) R

1400 Land Records

81 Operating Budget Reduction

Reduce operating budget for computer/data processing (532821).

(\$200) R

Budget Changes

(\$194,156) R
\$15,990 NR

Total Position Changes

-3.00

Revised Total Budget

\$8,108,684

Special Provisions **SB 1115**

Department: Secretary of State

Section:

Title: **(No Special Provisions reported)**

Summary:

Overview: 2002 Session Fiscal and Budgetary Actions

State Board of Elections

GENERAL FUND

FY 02-03

Total Budget Approved 2001 Session

\$3,186,269

Budget Changes

1100 Administration

82 Operating Budget Reductions

(\$40,378) R

Reduce operating budget for other admin. supplies
(533190).

1200 Campaign Reporting

83 Operating Budget Adjustment

\$250,000 NR

Provide funds for one-stop voting.

Budget Changes

(\$40,378) R

\$250,000 NR

Total Position Changes

Revised Total Budget

\$3,395,891

Special Provisions **SB 1115**

Department: State Board of Elections

Section:

Title: **(No Special Provisions reported)**

Summary:

Overview: 2002 Session Fiscal and Budgetary Actions

State Budget & Management

GENERAL FUND

FY 02-03

Total Budget Approved 2001 Session

\$5,354,938

Budget Changes

1310 State Budget and Management

84 Operating Budget Reductions

(\$60,000) R

Reduce the operating budget for contractual services and equipment.

85 Operating Budget and Personnel Reductions

(\$240,057) R

Eliminate the salary and benefits for following three vacant positions.

-4.00

Economist II - 3004-0000-0000-665 - (\$51,624)
Appl. Anal. Prog. 3004-0403-0000-701 (\$83,153)
Mgt. Analyst - 3004-0404-0200-540 (\$45,483)

Also eliminate the salary and benefits (\$46,797) for a vacant Program Assistant V position and reduce the operating budget by \$13,000.

Budget Changes

(\$300,057) R

Total Position Changes

-4.00

Revised Total Budget

\$5,054,881

Special Provisions **SB 1115**

Department: State Budget & Management

Section:

Title: **(No Special Provisions reported)**

Summary:

State Budget & Management - Special Appropriations

GENERAL FUND

	FY 02-03	
Total Budget Approved 2001 Session	\$3,080,000	
Budget Changes		
1022 2002 Special Appropriations		
86 NC Humanities Council		
Provides funds to the North Carolina Humanities Council, a nonprofit corporation, for the programs of the Council.	\$100,000	NR
Budget Changes		
	\$100,000	NR
Total Position Changes		
Revised Total Budget	\$3,180,000	

Special Provisions **SB 1115**

Department: State Budget & Management - Special Appropriations

Section:

Title: **(No Special Provisions reported)**

Summary:

Overview: 2002 Session Fiscal and Budgetary Actions

State Controller

GENERAL FUND

FY 02-03

Total Budget Approved 2001 Session

\$11,523,868

Budget Changes

1000 Departmentwide

87 Personnel and Operating Budget Reductions

(\$1,101,040) R

Eliminate five vacant positions, convert an ITS position to OSC responsibilities, and reduce the following line items:

-5.00

Processing Asst III-#5001-0000-0000-007 - (\$26,000)
State Mgmt Analyst-#5008-0000-0000-034 - (\$48,215)
Accounting Specialist-#5008-0000-0000-054 - (\$31,387)
Applic Analyst Prog I-#5008-0000-0000-088 - (\$52,049)
State Mgmt Analyst-#5009-0000-0000-113 - (\$35,519)

531511 Social Security Contributions - (14,777)
531521 Reg Retirement Contributions - (\$9,658)
531561 Med Insurance Contributions - (\$14,665)

Convert IT Position:

531211 Salaries - \$ 26,675
531461 Longevity - \$ 1,561
531511 Social Security Contributions - \$ 2,160
531521 Reg Retirement Contributions - \$ 1,412
532140 Information Technology Svs - (\$110,963)

Line Items:

532140 Information Technology Services - (\$150,000)
532332 Repairs to Computer Equipment - (\$500)
532390 Repairs - Other - (\$375)
532811 Telephone Service - (\$5,000)
532812 Telecommun Data Chg - (\$28,200)
532840003 Post age, Fr & Del - Postal Meter - (\$2,000)
532850 Print, Bind, Duplicate - (\$9,000)
532860 Advertising - (\$1,400)
532930 Registration Fees - (\$5,000)
532941 Emp Education Assist Prog - (\$500)
532942 Other Employee Educational Exp - (\$4,500)
533110 Office Supplies - (\$10,000)
533120 Data Processing Supplies - (\$1,500)
534521 Office Equipment - (\$7,500)
534710 Computer Software - (\$14,000)
535830 Membership Dues & Subscriptions - (\$2,000)

532821 Data Processing Cost:

Increase Efficiency in System - (\$251,989)
Data Warehouse Conversion - (\$261,092)
Limit Daily Production of NCAS - (\$35,059)

Budget Changes	(\$1,101,040)	R
Total Position Changes	-5.00	
Revised Total Budget	\$10,422,828	

Special Provisions **SB 1115**

Department: State Controller

Section: 25.1

Title: **Overpayments Project**

Summary: Continues language to extend the Overpayments project another year. The contractor, PRG, will maintain a 31% share of overpayments found, OSC may use \$200,000 for data processing, debt collection or other information technology initiatives, and in FY 02-03 OSC may use up to \$500,000 of unobligated funds to continue the State Business Infrastructure Study enacted per Section 17 of S.L. 2001-491. Additionally, Sections 17.2 and 17.3 of S.L. 2001-491 were amended to give the State Controller the authority to use funds in the Special Reserve Account to support the study, and changes submission of the interim and final reports to the 2003 and 2004 Sessions, respectively.

Overview: 2002 Session Fiscal and Budgetary Actions

Treasurer

GENERAL FUND

FY 02-03

Total Budget Approved 2001 Session

\$7,216,817

Budget Changes

1210 Investment Management

88 Personnel and Operating Budget Reductions

(\$476,548) R

Eliminates the salary and benefits for a vacant position and reduces the operating budget for financial/audit services.

-1.00

Office Assist. 3410-2611-2200-158 - (\$30,073)
532120130 Market Research - (\$331,000)
532120 Financial/Audit Services - (\$115,475)

1310 Local Government

89 Operating Budget Reductions

(\$75,413) R

Reduce the following line items:

532512 Rent - (\$50,000)
532821 Computer/Data Processing Svcs - (\$25,413)

1410 Retirement System Division

90 Provide Temporary Personnel

\$0 R

Authorizes the Department of the State Treasurer to increase the requirements and receipts for the operating budget of the Retirement Systems Division in the amount of \$247,713 for fiscal year 2002-2003 and for fiscal year 2003-2004 to fund eight two-year time limited positions, effective November 1, 2002 to implement the provisions of the SB 1238 (Short Title: Withdrawn Retirement Service) if it passes. (SB 1238, Sections 4.1 and 5 as modified by SB 1217, Section 83.

\$0 NR
0.00

1510 Banking

91 Personnel Reduction

(\$25,384) R

Eliminate the salary and benefits for a vacant Accounting Clerk III position (3410-2611-2200-145).

-1.00

Departmentwide

92 Budget Adjustments

\$1,248,963 R

Adjust budgets for administrative services (532170) and computer/data processing (532800) to the amounts needed to fund the requirements in Department's three internal service funds (Fund 1110 - General Administration, Fund 1520 Financial Operations-Accounting, and Budget Code 73410 - Computer Center). The three internal service funds provide services to the five operating funds (Investment Management, Local Government Operations, Banking, Escheats Fund Administration, Retirement Operations) and are supported by receipts from those funds. In prior years, continuation budget and expansion adjustments were made in the requirements and receipts for the internal services funds without the necessary adjustments being made in the five operating funds, cumulatively causing an imbalance of \$2,048,671 between the budgeted requirements/receipts in the three internal service funds and the funding available in the five operating funds to pay the internal service funds for billed services. The adjustments below align the requirements in the operating funds with the receipts budgeted in the internal service funds.

General Fund-Supported Operating Funds

Account Code	532800	532170
1210 Investment Management	(\$66,993)	\$485,485
1310 Local Government	\$73,196	(\$215,437)
1510 Banking	\$849,732	\$122,980
Total General Fund	\$855,935	\$393,028

Receipt - Supported Operating Funds

Account Code	532800	532170
1130 Escheats	(\$175,959)	(\$15,793)
1410 Retirement	\$837,453	\$154,007
Total Receipts	\$661,494	\$138,214

Nontax revenue will be increased by the amount allocated to the General Fund-Supported operating funds.

Budget Changes	\$671,618	R
	\$0	NR
Total Position Changes	-2.00	
Revised Total Budget	\$7,888,435	

Special Provisions **SB 1115**

Department: Treasurer

Section:

Title: **(No Special Provisions reported)**

Summary:

Treasurer - Retirement for Fire and Rescue Squad Workers

FY 02-03

\$12,379,780

(\$5,248,601) R

(\$5,248,601) R

\$7,131,179

Special Provisions **SB 1115**

Department: Treasurer - Retirement for Fire and Rescue Squad Workers

Section:

Title: **(No Special Provisions reported)**

Summary:

TRANSPORTATION

GENERAL FUND

&

HIGHWAY FUND

APPROPRIATIONS

Overview: 2002 Session Fiscal and Budgetary Actions

Transportation

GENERAL FUND

FY 02-03

Total Budget Approved 2001 Session

\$13,393,341

Budget Changes

Aeronautics

1 Eliminate Operating Funds for Global TransPark

(\$576,982) R

Eliminates operating funds for the Global TransPark Authority provided by the General Fund.

2 Eliminate Runway Funds for Global TransPark

(\$566,359) R

Eliminates runway development funds for the Global TransPark Authority provided by the General Fund.

3 Aviation Grant Reduction

(\$1,347,500) NR

Implements reduction recommended by Governor. This reduces the budget for aviation grants by 11% from \$12,250,000 to \$10,902,500.

Budget Changes

(\$1,143,341) R

(\$1,347,500) NR

Total Position Changes

Revised Total Budget

\$10,902,500

Special Provisions

SB 1115

Department: Transportation

Section:

Title: **(No Special Provisions reported for General Fund)**

Summary:

Overview: 2002 Session Fiscal and Budgetary Actions

Transportation

HIGHWAY FUND

FY 02-03

Total Budget Approved 2001 Session

\$1,287,902,372

Budget Changes

Highway Fund

4 Increase Contract Resurfacing Funds

Increases contract resurfacing funding over funding from previous years. Although the Conference Report for Senate Bill 1115 shows an increase in contract resurfacing of \$3,400,220, the numbers in Section 69.3 of Senate Bill 1217 reduce the amount of the increase in maintenance. The increase in contract resurfacing of \$3,264,104 shown here corresponds to the numbers in Senate Bill 1217.

\$3,264,104 NR

5 Technical Adjustment to Aid for Municipalities

The allocation to municipalities is determined by statute and is a function of gallons of motor fuel sold. Revised estimates of gallons sold are below the original forecasts and this technical adjustment revises the budget for aid to municipalities accordingly. This reduces the municipal aid budget by 2% from \$89,387,000 to \$87,500,000.

(\$1,887,000) R

6 Adjust Operating Funds for Global TransPark

Eliminates recurring operating funds of \$618,660 for the Global TransPark Authority. Provides non-recurring operating funds of \$1,600,000 for FY2003.

(\$618,660) R

\$1,600,000 NR

7 Increase Public Transportation Funding

Increases public transportation funding over funding from previous years.

\$2,250,000 NR

	2002-2003	
Rural Capital	\$1,000,000	NR
Urban Buses and Facilities	\$1,250,000	NR

8 Technical Adjustment to Secondary Roads Allocation

The allocation to secondary roads is determined by statute and is a function of gallons of motor fuel sold. Revised estimates of gallons sold are below the original forecasts and this technical adjustment revises the budget for the secondary roads allocation accordingly. This reduces the secondary road budget by 2% from \$89,387,000 to \$87,500,000.

(\$1,887,000) R

9 Charlotte Multi-Modal Station

Complete right-of-way purchase and provide funds for preliminary engineering and environmental assessment.

\$8,100,000 NR

10 Partially Restores Nonrecurring Funds

In FY 2002, funds budgeted for track improvements between Raleigh and Charlotte totaled \$8.2 million. However, this total included \$5.0 million in nonrecurring funds. In the absence of any action by the General Assembly, the budget for track improvements between Raleigh and Charlotte would therefore decrease to \$3.2 million in FY 2003. With this action, the budget will instead be partially restored, to \$7.2 million.

\$4,000,000 NR

11 Restores Nonrecurring Funds

In FY 2002, funds budgeted for small urban and rural projects totaled \$15.0 million. However, this total included \$5.0 million in nonrecurring funds. In the absence of any action by the General Assembly, the budget for small urban and rural construction would decrease to \$10.0 million. With this action, the budget will be restored to \$15.0 million (SB 1115, Section 26.9).

\$5,000,000 NR

12 Adjustment to Driver Education

Increases funding due to higher projection of number of students.

\$236,109 R

13 TSERS Retirement Rate Adjustment

Reduces the State's contribution rate from 1.97% to zero for members of the Teachers' and State Employees' Retirement System as a result of actuarial gains for valuation ending 12-31-00.

(\$7,257,000) R

14 Reduce Professional Fees for Printing Services

Reduce professional fees for printing services at DMV. The Conference Report for Senate Bill 1115 listed a reduction of \$362,232 as a result of this budget item. However, Section 69.3 of Senate Bill 1217 changed the reduction in administration to \$90,000. The \$90,000 reduction shown here corresponds to the numbers in Senate Bill 1217.

(\$90,000) NR

15 Increase Funding

Increases program funding from Highway Fund from \$14,000,000 to \$21,000,000 for one year.

\$7,000,000 NR

The Small Urban Construction program will also receive an additional \$7 million from Highway Trust Fund cash balances, bringing total program funding to \$28 million (SB 1115, Section 26.9).

16 Restores Nonrecurring Funds

In FY 2002, the budget for maintenance was \$578,632,263. However, this total included \$7,022,971 in nonrecurring funds. In the absence of any action by the General Assembly, the FY 2003 maintenance budget would therefore decrease to \$571,609,292. With this budgetary action, the budget for maintenance will instead be fully restored.

\$7,022,971 NR

17 Increase Maintenance Expenditures

Increases maintenance funding over funding from previous years. Although the Conference Report for Senate Bill 1115 shows an increase in maintenance of \$3,400,220, the numbers in Section 69.3 of Senate Bill 1217 reflect a smaller increase in maintenance funding. The increase of \$3,264,104 shown here corresponds to the numbers in Senate Bill 1217.

\$3,264,104 NR

Budget Changes

(\$11,413,551) R

\$41,411,179 NR

Total Position Changes

Revised Total Budget

\$1,317,900,000

Special Provisions **SB 1115**

Department: Transportation

Section: 26.1

Title: **Cash-Flow Highway Fund and Highway Trust Fund Appropriations**

Summary: Updates boilerplate special provision from 2001 to reflect revised revenue forecasts. This language allows DOT to anticipate revenue in future years for the purpose of budgeting multiyear construction projects.

Section: 26.2

Title: **Highway Trust Fund Study Committee Continued**

Summary: Continues, with increased membership and modified duties, the Highway Trust Fund Study Committee, which was created by Section 27.6 of S.L. 2001-424 but which did not meet. The membership is increased from 16 to 18. New duties include examining the feasibility of permitting DOT to add projects to the Trust Fund and the possibility of using the Trust Fund to provide the State match for available federal aid highway funds. The Committee is to report no later than the first day of the 2003 General Assembly.

Section: 26.3

Title: **Biltmore Avenue Airspace Encroachment**

Summary: Requires DOT to permit Mission St. Joseph's Hospital in Asheville to replace a pedestrian bridge connecting two properties it owns unless DOT finds that the bridge will unreasonably interfere with property rights of others or use by the public of Biltmore Avenue.

Section: 26.4

Title: **Cash Management Program Modification**

Summary: Requires, rather than permits, DOT to use Highway Trust Fund cash balances during fiscal years 2001-2002, 2002-2003, and 2003-2004 for specified purposes. Removes language requiring DOT to certify that use of the Highway Trust Fund cash balances for these purposes will not adversely affect the delivery schedule of the Highway Trust Fund projects in the 2002-2008 Transportation Improvement Program. Encourages DOT to use all existing resources, including bonded indebtedness, to mitigate any delays in the construction of Transportation Improvement Program projects. (Note: Section 26.9 (b) also modifies the Cash Management Program.) An additional change to the cash management program is made in Section 42 of Senate Bill 1217; discretionary funds for economic development projects no longer need to be in the TIP.

Section: 26.5

Title: **Division of Motor Vehicles Printing Efficiency**

Summary: Directs DOT to implement a more cost-effective method of providing printing services for the Division of Motor Vehicles.

Section: 26.7

Title: **Joint Legislative Transportation Oversight Committee to Study Multiyear Registrations and Lengthening Multiyear Drivers Licenses**

Summary: Requires the Joint Legislative Transportation Oversight Committee to study the feasibility of multiyear registrations and lengthening multiyear drivers licenses.

Section: 26.8

Title: **Commercial Driver License Training Standards**

Summary: Requires DMV to issue rules authorizing certified Commercial Truck Driver Training Schools to offer an 80-hour curriculum appropriate to prepare a student to meet the requirements for a Class B Commercial Drivers License.

Section: 26.9

Title: **Small Urban and Contingency Funds**

Summary: Increases funding by \$14 million in fiscal year 2002-2003 for small urban construction projects and increases the area eligible from within one mile to within two miles of the municipal corporate limits. \$7 million of the additional funding is from Highway Trust Fund cash balances and \$7 million is from Highway Fund appropriations. Increases from \$10 to \$15 million funding for statewide rural or small urban highway improvements and related transportation enhancements. (Note: Section 26.4 also modifies the Cash Management Program.)

Section: 26.10

Title: **Urban Loop Termini**

Summary: Changes the definition in G.S. 136-180 of the Durham Northern Loop and the Wilmington Bypass. Permits the Board of Transportation to accept a new interstate or freeway as the revised terminus of an urban loop under certain conditions.

Section: 26.11

Title: **School-Sponsored Bus Transportation Safety Study**

Summary: Requires DMV, in consultation with the Department of Public Instruction, the private motor coach industry, and other interested parties to study the issue of school-sponsored bus transportation safety.

Section: 26.12

Title: **Currituck County to Northern Outer Banks Ferry Study**

Summary: Requires DOT to study and determine the feasibility of establishing ferry service from Currituck County to the northern Outer Banks and to report the results of the study on or before June 1, 2003.

Section: 26.13

Title: **Department of Transportation May Use Receipts for Facilities Improvements**

Summary: DOT may use receipts from the sale of DOT real property, other than right-of-way property, to make needed improvements in its facilities.

Section: 26.14

Title: **Payback Schedule for Transfer in Excess of That Authorized by the General Statutes From the Highway Trust Fund to the General Fund**

Summary: Specifies a payback schedule for funds transferred from the Highway Trust Fund to the General Fund in fiscal year 2002-2003 in excess of that authorized by G.S. 105-187.9(b). The funds are to be paid back with interest over five years beginning in fiscal year 2004-2005. The funds referred to are those specified in Sections 2.2(e) through 2.2(g) of Senate Bill 1115, specifically \$205 million in FY 2002-03 and \$80 million in FY 2003-04.

Section: 26.15

Title: **Commission to Study Commission Contracts for the Issuance of Motor Vehicle Registration Plates and Certificates**

Summary: Creates a commission to study the current system of issuing motor vehicle registration plates through contract agents.

Section: 26.16

Title: **Transportation of Wood Chips and Other Wood Products**

Summary: Adds wood residuals as a category excepted from certain weight restrictions in G.S. 20-118(b). Requires the Joint Legislative Transportation Oversight Committee to study the rationale for and effect of the exceptions to the highway weight limitations in current law.

Section: 26.17

Title: **Law Enforcement Escort Fee**

Summary: Requires that persons, firms, or entities that are required to have a State Highway Patrol escort or that request a State Highway Patrol escort must pay a fee to the Department of Crime Control and Public Safety. The fee is to cover the full cost to administer, plan, and carry out the escort within the State.

Section: 26.18

Title: **Nonbetterment Relocation Cost for County Owned Gas L**

Summary: Requires DOT to pay the cost to relocate county-owned natural gas lines, located within the existing State highway right-of-way, that need to be relocated due to a State highway improvement project.

INFORMATION TECHNOLOGY

INTERNAL SERVICE FUND

Overview: 2002 Session Fiscal and Budgetary Actions

Information Technology Services

		INTERNAL SERVICE FUND	
		FY 02-03	
Total Budget Approved 2001 Session		\$0	
Budget Changes			
1 ITS Rate Reduction		(\$3,414,318)	R
Eleven percent reduction in Information Technology Services rates for disk storage and CPU charged to state agencies.			
Budget Changes		(\$3,414,318)	R
Total Position Changes			
Revised Total Budget		(\$3,414,318)	

Special Provisions

2002 Session: SB 1115

Department: Information Technology Services

Section: 2.2.(b)

Title: General Fund Availability Stateme

Summary: Transfers \$495,040 from the ITS Internal Service Fund, Budget Code 24668, Fund Code 2800, to the General Fund. These funds were residuals from the now-defunct E-Grant program.

Section: 27.5

Title: State Human Resource and Retirement Systems Information Technology LRC Study

Summary: This provision directs the Legislative Research Commission to study how information technology is used in state personnel operations, including retirement, and how processes could be improved.

Section: 27.4

Title: HIPAA Implementation

Summary: This provision assigns the Governor the responsibility of coordinating the State's implementation of Title II (Administrative Simplification) of the federal Health Insurance Portability and Accountability Act. The University System and State Health Plan may develop their own plans, but must report to the Governor.

Section: 27.3

Title: Office of Administrative Hearings/Automation Review

Summary: This provision directs the Office of Administrative Hearings to report to the General Assembly by February 15, 2003, on the cost and feasibility of automating the rule-making process. The Office of Information Technology Services must assist on any technical issues.

Section: 27.2

Title: Information Technology Security Practices/State Auc

Summary: This provision gives the State Auditor "first refusal" on conducting vulnerability testing of state agency computer networks. Any testing done by the Auditor is conducted on a cost-recovery basis. If the Auditor declines to conduct the testing, any private contractor who does perform the service must provide detailed reports that are not public documents to the State CIO and the Auditor.

Section: 27.1

Title: Electronic Procurement and Information Technology Procurement §

Summary: Assigns governance of electronic procurement to the Secretary of Administration and directs the Joint Select Committee on Information Technology to study the state's procurement processes for information technology goods and services.

**RESERVES,
DEBT SERVICE
&
ADJUSTMENTS**

GENERAL PROVISIONS

Overview: 2002 Session Fiscal and Budgetary Actions

Reserves, Debt Service and Adjustments

GENERAL FUND

FY 02-03

Total Budget Approved 2001 Session

\$505,497,088

Budget Changes

A. Employee Benefits

- | | | |
|---|-----------------|----|
| 1 Reserve for Experience Step Salary Increase for Teachers | \$51,937,267 | R |
| To allow Teachers and Principals to receive an experience step salary increase on the applicable schedule. This funding will support an average increase of 1.84% to all personnel paid on these schedules (SB 1115, Sections 7.1, 7.2, 7.45). | | |
| 2 Assistant/Deputy Clerks/Magistrates Salary Steps | \$1,980,700 | R |
| Provides recurring funds to continue established statutory salary plans for Magistrates, Assistant Clerks, and Deputy Clerks. | | |
| 3 Severance and Discontinued Service Reserve | \$5,000,000 | NR |
| Funds are recommended to provide transitional benefits for state employees whose positions are eliminated and who are unable to secure employment in another state position (Governor's recommendation). | | |
| 4 Retirement Systems Rate Adjustments | (\$144,525,000) | R |
| Reduce the State's contribution rates for the Teachers' and State Employees' Retirement System, the Consolidated Judicial Retirement System and the Legislative Retirement System as a result of actuarial gains for the valuations ending December 31, 2000 (SB 1115, Section 28.5). | | |
| 5 Reserve for 2001 Compensation Increases | (\$4,247,868) | R |
| Reduce funds for compensation increases enacted in the 2001 session to more accurately reflect actual requirements as recommended by the Office of State Budget and Management. | | |
| 6 Statewide Reserve for State Employee Health Plan | (\$12,621,872) | R |
| Reserve funds appropriated in 2001 that the Office of State Budget and Management says are not needed by state agencies, universities, public schools, and community colleges for fiscal year 2002-03. | | |

B. Trust Funds**7 Trust Fund for MH/DD/SAS and Bridge Funding Needs**

Provide funds to facilitate the reform of the state's mental health, developmental disabilities and substance abuse services system including (1) funds to enhance community based services and facilitate compliance with the federal Supreme Court decision in Olmstead; (2) bridge funding to provide services to clients during transitional periods such as the closing of state facilities; (3) capital funds for the construction, repair and renovation of state facilities. Up to \$7 million may be used for the siting, design and capital planning costs associated with the construction of a new psychiatric hospital.

\$8,000,000 NR

8 Ruth M Easterling Trust Fund for Children with Special Needs

Establishes a fund to provide services to children with special needs that are not currently provided with State funds. (SB 1115, Section 6.13).

\$1,000,000 NR

C. Other Reserves**9 Recommendations of Governor's Efficiency Commission**

Adjustment for savings generated by implementing recommendations of the Governor's Efficiency Commission.

(\$25,000,000) R

10 Management Flexibility Reserve

Reduce funds appropriated to various departments, institutions and other spending agencies of the state. The Director of the Budget shall allocate this discretionary reduction among agencies, programs and line-items and identify specific reductions during the 2002-03 fiscal year.

(\$41,500,000) R

11 Adjust Information Technology Services Rate

Reduce rates paid by state agencies to the Office of Information Technology Services (ITS) for CPU and disk storage.

(\$3,414,318) R

12 HIPAA Compliance Funds

Provide funds for statewide planning and implementation of the federal Health Insurance Portability and Accountability Act (HIPAA). (SB 1115, Section 27.4).

\$2,000,000 NR

D. Debt Service**13 Adjust Debt Service Requirements**

Reduce funds for debt service due to increased receipts and to more accurately reflect actual requirements for principal and interest payments.

(\$36,750,000) R

14 Savings from Refinancing

Reduce funds for debt service to reflect one-time savings from debt refinancing. (SB 1115, Section 6.14).

(\$61,000,000) NR

Budget Changes	(\$214,141,091)	R
	(\$45,000,000)	NR
Total Position Changes		
Revised Total Budget	\$246,355,997	

Special Provisions **SB 1115**

Department: Reserves, Debt Service and Adjustments

Section: 2.1

Title: **Current Operations - General Fund**

Summary: Specifies adjustments to appropriations from the General Fund to state agencies for the 2002-2003 fiscal year.

(Notes: Section 9 of HB 1105, Insurance Regulatory Fund Changes, SL 2002-144 revises this section with respect to the adjustment for the Department of Insurance. Section 8 of SB 1455, Securities Fraud Protections and Study, SL 2002-189, increases the appropriation to the Secretary of State by \$167,115).

Section: 2.2

Title: **General Fund Availability Statement**

Summary: Sets out financial information to satisfy Budget Reform requirements and specifies various adjustments and transfers underlying General Fund availability for the 2002-2003 fiscal year. A summary of significant sections follows:

2.2(a) Provides a detailed listing of estimated General Fund revenues and adjustments authorized by the General Assembly for the 2002-2003 fiscal year.

(Notes: Section 10 of HB 1105, Insurance Regulatory Fund Changes, SL 2002-144 repeals budget reductions enacted in SB 1115 for the Department of Insurance and amends the General Fund availability statement to reflect this change. SB 1455, Securities Fraud Protections and Study, SL 2002-189 increases certain filing and renewal fees with the Secretary of State, which are anticipated to generate an additional \$271,000 annually in General Fund revenues. The bill also appropriates \$167,115 to the Secretary of State, Securities Division. These additional revenues and appropriations are not reflected in the General Fund Availability Statement in Section 2.2(a) of SB 1115. A revised General Fund Availability Statement reflecting the provisions of these bills is shown on page B-1 of this document).

2.2(b), (c), (d), (l), and (o) Directs transfers to the General Fund from various general, special, enterprise and internal service budget codes in the following departments: Administrative Office of the Courts, Agriculture and Consumer Services, Commerce, Correction, Crime Control and Public Safety, Environment and Natural Resources, Health and Human Services, Information Technology Services, and the State Controller.

2.2(e), (f), and (g) Transfers \$205 million from the Highway Trust Fund to the General Fund. Of these funds, \$80 million is reflected as a recurring, inflationary adjustment, while \$125 million is a nonrecurring transfer that is intended to be repaid with interest. These funds are in addition to the annual transfer of \$170 million required by statute.

2.2(h) Diverts \$38 million to be credited to the Tobacco Trust Account from the Master Settlement Agreement (i.e. Tobacco Trust Fund) during the 2002-2003 fiscal year to the General Fund. Also diverts \$40 million to be credited to the Health Trust Account from the Master Settlement Agreement (i.e. Health and Wellness Trust Fund) during the 2002-2003 fiscal year to the General Fund.

(Note: Section 69 of SB 1217, 2002 Technical Corrections, SL 2002-159 amends this section to clarify the funds being diverted are from anticipated master settlement payments to be received during the 2002-03 fiscal year rather than from the cash balances).

Also authorizes the use of up to \$18 million in reserve funds from the Health and Wellness Trust Fund for health and wellness related programs as authorized by GS 143-86.30(e). Otherwise, HB 1431, Tobacco and Health Trust Funds, SL 2000-147 prohibits the expenditure of reserve funds until 2026. (Note: See related provision in SB 1115, Section 6.8 Senior Prescription Drug Access Program).

2.2(q) Provides additional budget flexibility to state agencies by allowing the transfer of funds between personal services and nonpersonal services line items. Requires the approval of the Office of State Budget and Management prior to any transfer. Prohibits the transfer of funds to expand existing or to establish new programs. Requires a report to the Joint Legislative Commission on Governmental Operations within 30 days of the transfer.

Section: 3.1

Title: **Highway Fund Appropriations**

Summary: Specifies adjustments to appropriations from the Highway Fund to the Department of Transportation for the 2002-2003 fiscal year.

(Note: Section 69.3 of SB 1217, 2002 Technical Corrections, SL 2002-159 revises the adjustments for Administration and State Maintenance).

Section: 3.2

Title: **Highway Fund Availability Statement**

Summary: Sets out the availability estimate for the Highway Fund for the 2002-2003 fiscal year.

Section: 4.1

Title: **Highway Trust Fund Appropriations**

Summary: Specifies adjustments to appropriations from the Highway Trust Fund to the Department of Transportation for the 2002-2003 fiscal year.

Section: 6.4

Title: **Deduction Flexibility**

Summary: Allows for the payroll deduction of dues for any member of a domiciled employees' or retirees' association that has at least 2,000 members, the majority of whom are active or retired employees of the state. Also allows for the payroll deduction of dues and voluntary contributions for any employee of a local board of education who is a member of a domiciled employees' association that has at least 40,000 members, the majority of whom are public school teachers.

Section: 6.6

Title: **Repeal Ports Railway Commission/Transfer to State Ports Authority**

Summary: Repeals the Ports Railway Commission and transfers the assets and liabilities of the Commission to the North Carolina State Ports Authority. Authorizes the State Ports Authority to acquire, construct and maintain rail facilities necessary to the operation of the state ports, except that the State Ports Authority is not authorized to operate the rail facilities.

Section: 6.7

Title: **Procedure Before Reducing Appropriations to a School Administrative Unit**

Summary: Requires boards of county commissioners to hold a public hearing and take a public vote prior to reducing the appropriations to a school administrative unit as part of a general reduction in county expenditures due to prevailing economic conditions.

Section: 6.8

Title: **Senior Prescription Drug Access Progr**

Summary: Authorizes the use of up to \$3 million in reserve funds from the Health and Wellness Trust Fund to develop and implement a Senior Prescription Drug Access Program. Otherwise, HB 1431, Tobacco and Health Trust Funds, SL 2000-147 prohibits the expenditure of reserve funds until 2026. Also sets out the purpose of the program and various parameters and requirements for its development and implementation. (Note: See related provision in SB 1115, Section 2.2(h) General Fund Availability Statement).

Section: 6.9

Title: **Uniform Provider Credentialing by Health Insurance Plans**

Summary: Managed care health insurers are required to make a decision on allowing health care providers in their networks within 60 days after a provider submits an application to join the network. The application documents the providers' medical qualifications and other credentials. If the application is approved, a contract is not normally executed between the insurer and provider until sometime after the application is approved in order for payment rates and other contract terms to be negotiated. This section specifies that for a practitioner who joins a medical practice that is already in the insurer's network, the practitioner's participation in the network is effective upon approval of the credentialing application. In these cases, contract negotiations have already been completed between the insurer and the practice.

Section: 6.10

Title: **Sale of Underutilized State-Owned Aircraft**

Summary: Requires the sale of state-owned aircraft that are not being used for their intended purpose or for spare parts. The proceeds of the sale(s) will be deposited in the General Fund.

Also requires the Department of Commerce to sell its Bell 206 helicopter. The proceeds of the helicopter sale shall be retained by the Department of Commerce as an agency receipt to offset a General Fund budget reduction as enacted by the General Assembly

Section: 6.11A

Title: **Terminate Hurricane Fran Account**

Summary: Terminates Executive Order #99 dated September 5, 1996 declaring an emergency in the aftermath of Hurricane Fran. The executive order is terminated effective June 30, 2003. Also requires all unencumbered funds remaining in the Hurricane Fran Account on June 30, 2003 to be transferred to the Savings Reserve Account.

Section: 6.12

Title: **Treasurer/Reporting Requiremen**

Summary: Adds the chairs of the House and Senate Finance Committees to an annual reporting requirement on the financial condition of investment programs administered by the State Treasurer. Also establishes a new, more detailed semi-annual reporting requirement through the Finance Committees on investment programs administered by the State Treasurer. Specifically, the semi-annual reports are to include a complete statement of moneys invested, the nature of the investments, the revenues derived, costs of administration, recaptured commissions, investment policies and other relevant and requested information.

Section: 6.13

Title: **Ruth M. Easterling Trust Fund for Children with Special Ne**

Summary: Establishes the Ruth M. Easterling Trust Fund for Children with Special Needs and sets out the required uses of the fund.

Section: 6.14

Title: **Authorize One-time Bond Refunding**

Summary: Authorizes the State Treasurer to issue and sell refunding obligations to implement one-time debt service savings.

CAPITAL

Capital

GENERAL FUND

FY 02-03

Department of Environment and Natural Resources

1 Water Resources Development Projects

Provide state funds to match federal and local funds for water resources development projects as outlined in the state's Water Resources Development Plan. (SB 1115, Section 29.2). \$31,158,000 NR

Total Appropriation to Capital

\$31,158,000 NR

Special Provisions **SB 1115**

Department: Capital

Section: 29.1

Title: Capital Appropriations/General Fund

Summary: Specifies appropriations from the General Fund to provide capital improvements for the 2002-2003 fiscal year

Section: 29.2

Title: Water Resources Development Projects/Use Dredge Spoils to Nourish B

Summary: Allocates \$31,158,000 for various water resources development projects as follows:

- (1) Wilmington Harbor Deepening - \$20,100,000
- (2) Manteo (Shallowbag) Bay Channel Maintenance- \$3,100,000
- (3) Wilmington Harbor Maintenance - \$500,000
- (4) B. Everett Jordan Lake Water Supply - \$90,000
- (5) John H. Kerr Reservoir Operations Evaluation - \$800,000
- (6) Oregon Inlet Jetties - \$70,000
- (7) Silver Lake Harbor Maintenance - \$600,000
- (8) West Onslow Beach (Topsail Beach) Nourishment - \$203,000
- (9) Wanchese Marsh Creation - \$180,000
- (10) Bogue Banks Shore Protection Study - \$315,000
- (11) Surf City/North Topsail Beach Protection Study - \$200,000
- (12) Walter Slough Maintenance Dredging - \$58,000
- (13) Currituck Sound Water Management Study - \$400,000
- (14) Deep Creek (Yadkin County) Watershed Management - \$500,000
- (15) State Local Projects - \$2,900,000
- (16) Aquatic Weed Control, Lake Gaston and Statewide - \$300,000
- (17) Swan Quarter (Hyde County) Flood Control Dikes - \$100,000
- (18) North Topsail Beach Feasibility Study (nonfederal) - \$250,000
- (19) Neuse River Basin Feasibility Study - \$100,000
- (20) Edgewater Canal (Camden County) Drainage - \$25,000
- (21) Emergency Flood Control Projects - \$187,000
- (22) Projected Feasibility Studies - \$80,000
- (23) Planning Assistance to Communities - \$100,000

Section 29.2(c) allows adjustments of the allocations among projects if actual costs vary from estimated costs. Provides for the use of available funds resulting from delayed projects. Requires reversion of funds allocated for state and local projects that remain unexpended or unencumbered at the end of 2002-03 fiscal year.

Section 29.2(d) requires quarterly reports on the use of funds to the Joint Legislative Commission on Governmental Operations, the Fiscal Research Division and the Office of State Budget and Management.

Section 29.2(e) allows the Director of the Budget to use available funds to pay the required state match for any additional funds that become available during the 2002-03 fiscal year for water resources or beach renourishment projects.

Section 29.2(f) amends the General Permits section of the Coastal Area Management Act (G.S.113A-118.1) to allow the use of riprap in the construction of groins in estuarine and public trust waters on the same basis as the Coastal Resources Commission allows the use of wood.

Section 29.2(i) amends the statutes related to "permits to dredge or fill in or about estuarine water or State-owned lakes" (G.S. 113-229) to require that dredged material be disposed of on the ocean beach or shallow active nearshore area where it is environmentally acceptable and compatible with other uses of the beach.

Section: 29.3

Title: **Joint Legislative Commission on Capital Improvements Establi**

Summary: Establishes a 16-member legislative committee to oversee capital improvements, including new construction and repairs and renovations, approved, undertaken and required for State facilities and institutions. Sets out the purpose, powers and organization of the committee.

SALARIES & BENEFITS

SALARY CHANGES FOR EMPLOYEES SUPPORTED BY THE STATE

A. State Employees

1. Salary Increases: Due to the negative financial condition of the State's budget, the General Assembly did not fund an across-the-board salary increase for State employees in the 2002-2003 fiscal year. On-going statutory pay plans for Assistant Court Clerks, Deputy Court Clerks, Magistrates, and eligible State Highway Patrol Troopers however were not suspended by the General Assembly.
2. Special Annual Leave Bonus: In lieu of a salary increase, the General Assembly authorized a 10-day Special Annual Leave Bonus for permanent full-time State personnel who are eligible to earn annual leave and who are employed on September 30, 2002. Included in the personnel eligible for this leave bonus are Assistant Court Clerks, Deputy Clerk Court Clerks, Magistrates, and State Highway Patrol Troopers who are also eligible for a salary step increase under their respective pay plans.

B. State-Funded Local Community College Institution Employees

1. Salary Increases and Special Annual Leave Bonus: The General Assembly enacted budgetary language encouraging the State Board of Community Colleges to adopt rules authorizing the colleges to provide special annual leave bonuses, compensation bonuses, or other employee benefits to their employees including salary increases within available funds to employees not receiving special annual leave bonuses.

C. State-Funded Local Public School Employees

Central Office Personnel (Superintendents, Assistant Superintendents, Associate Superintendents, Supervisors, Directors, Coordinators, Evaluators and Program Administrators)

1. Salary Increases: The General Assembly did not appropriate funding for a salary increase in the 2002-2003 fiscal year for Public School personnel paid on Central Office personnel salary schedules. Please see Table 1 in this section for the current Central Office personnel salary schedule.
2. Special Annual Leave Bonus: Public School employees classified as Central Office personnel were authorized by the General Assembly to be eligible for the 10-day Special Annual Leave Bonus for those personnel employed on September 30, 2002.

Principals and Assistant Principals

1. Salary Increases: The General Assembly appropriated funds for the 2002-2003 fiscal year to provide average annual salary increases ranging from 0% to 5.85% for Public School Principals and Assistant Principals (average of 2.0%), effective July 1, 2002.

The funding increase is based on the employees' natural movement up the salary schedule based on years of experience credit. The actual pay levels on the salary schedule did not increase. Please see Table 2 in this section for the current salary schedule applicable to Principals and Assistant Principals.

2. Special Annual Leave Bonus: Public School Principals and Assistant Principals receiving a salary step increase are not eligible to receive the 10-day Special Annual Leave Bonus under the authorization enacted by the General Assembly.

Teachers

1. Salary Increases: The General Assembly appropriated funds for the 2002-2003 fiscal year to provide average annual salary increases ranging from 0% to 5.85% for Public School teachers (average of 1.84%), effective July 1, 2002. Teachers move up the salary schedule based on years-of-experience (there was not an increase to step salary levels). Please see Table 3 in this section for the current salary schedule applicable to teachers.
2. Special Annual Leave Bonus: The General Assembly authorized Teachers with 29+ years of experience that did not receive an experience-step salary increase to be eligible for the 10-day Special Annual Leave Bonus for those personnel employed on September 30, 2002. Otherwise, teachers receiving an experience-step salary increase in the 2002-2003 fiscal year are not authorized to receive the 10-day Special Annual Leave Bonus.

Non-certified Public School Employees

1. Salary Increases: The General Assembly did not appropriate funds in the 2002-2003 fiscal year to fund a salary increase for Non-certified employees in the Public Schools.
2. Special Annual Leave Bonus: The General Assembly authorized Non-certified employees in the Public Schools to be eligible for the 10-day Special Annual Leave Bonus for those personnel employed on September 30, 2002.

TABLE 1

Superintendents, Assistant Superintendents, Associate Superintendents, Supervisors, Directors, Coordinators, Evaluators and Program Administrators –

The following monthly ranges apply to assistant superintendents, associate superintendents, directors/coordinators, supervisors, and finance officers for the 2002-2003 fiscal year, beginning July 1, 2002:

	Salary Ranges
School Administrator I	\$2,932 - \$5,266
School Administrator II	\$3,112 - \$5,586
School Administrator III	\$3,303 - \$5,925
School Administrator IV	\$3,436 - \$6,162
School Administrator V	\$3,574 - \$6,410
School Administrator VI	\$3,792 - \$6,799
School Administrator VII	\$3,945 - \$7,072

The following monthly salary ranges apply to public school superintendents for the 2002-2003 fiscal year, beginning July 1, 2002:

	Salary Ranges
Superintendent I (Up to 2,500 ADM)	\$4,187 - \$7,503
Superintendent II (2,501 - 5,000 ADM)	\$4,445 - \$7,956
Superintendent III (5,001 - 10,000 ADM)	\$4,716 - \$8,441
Superintendent IV (10,001 - 25,000 ADM)	\$5,005 - \$8,953
Superintendent V (Over 25,000 ADM)	\$5,312 - \$9,499

TABLE 2

Principal and Assistant Principal Salary Schedules (2002-03)
Base Salary Schedule

	Classification								
	1	1	2	3	4	5	6	7	8
Yrs of Exp	Assistant Principal	Principal I (0-10)	Principal II (11-21)	Principal III (22-32)	Principal IV (33-43)	Principal V (44-54)	Principal VI (55-65)	Principal VII (66-100)	Principal VIII (101+)
0-4	\$3,226								
5	\$3,373								
6	\$3,515								
7	\$3,629								
8	\$3,681	\$3,681							
9	\$3,735	\$3,735							
10	\$3,791	\$3,791	\$3,845						
11	\$3,845	\$3,845	\$3,901						
12	\$3,901	\$3,901	\$3,956	\$4,015					
13	\$3,956	\$3,956	\$4,015	\$4,074	\$4,135				
14	\$4,015	\$4,015	\$4,074	\$4,135	\$4,197	\$4,259			
15	\$4,074	\$4,074	\$4,135	\$4,197	\$4,259	\$4,324			
16	\$4,135	\$4,135	\$4,197	\$4,259	\$4,324	\$4,388	\$4,456		
17	\$4,197	\$4,197	\$4,259	\$4,324	\$4,388	\$4,456	\$4,524	\$4,666	
18	\$4,259	\$4,259	\$4,324	\$4,388	\$4,456	\$4,524	\$4,596	\$4,737	\$4,811
19	\$4,324	\$4,324	\$4,388	\$4,456	\$4,524	\$4,596	\$4,666	\$4,811	\$4,886
20	\$4,388	\$4,388	\$4,456	\$4,524	\$4,596	\$4,666	\$4,737	\$4,886	\$4,963
21	\$4,456	\$4,456	\$4,524	\$4,596	\$4,666	\$4,737	\$4,811	\$4,963	\$5,042
22	\$4,524	\$4,524	\$4,596	\$4,666	\$4,737	\$4,811	\$4,886	\$5,042	\$5,143
23	\$4,596	\$4,596	\$4,666	\$4,737	\$4,811	\$4,886	\$4,963	\$5,143	\$5,246
24	\$4,666	\$4,666	\$4,737	\$4,811	\$4,886	\$4,963	\$5,042	\$5,246	\$5,351
25	\$4,737	\$4,737	\$4,811	\$4,886	\$4,963	\$5,042	\$5,143	\$5,351	\$5,458
26	\$4,811	\$4,811	\$4,886	\$4,963	\$5,042	\$5,143	\$5,246	\$5,458	\$5,567
27	\$4,886	\$4,886	\$4,963	\$5,042	\$5,143	\$5,246	\$5,351	\$5,567	\$5,678
28	\$4,963	\$4,963	\$5,042	\$5,143	\$5,246	\$5,351	\$5,458	\$5,678	\$5,792
29	\$5,042	\$5,042	\$5,143	\$5,246	\$5,351	\$5,458	\$5,567	\$5,792	\$5,908
30	\$5,143	\$5,143	\$5,246	\$5,351	\$5,458	\$5,567	\$5,678	\$5,908	\$6,026
31	\$5,246	\$5,246	\$5,351	\$5,458	\$5,567	\$5,678	\$5,792	\$6,026	\$6,147
32		\$5,351	\$5,458	\$5,567	\$5,678	\$5,792	\$5,908	\$6,147	\$6,270
33			\$5,567	\$5,678	\$5,792	\$5,908	\$6,026	\$6,270	\$6,395
34			\$5,678	\$5,792	\$5,908	\$6,026	\$6,147	\$6,395	\$6,523
35				\$5,908	\$6,026	\$6,147	\$6,270	\$6,523	\$6,653
36				\$6,026	\$6,147	\$6,270	\$6,395	\$6,653	\$6,786
37					\$6,270	\$6,395	\$6,523	\$6,786	\$6,922
38						\$6,523	\$6,653	\$6,922	\$7,060
39							\$6,786	\$7,060	\$7,201
40							\$6,922	\$7,201	\$7,345
41								\$7,345	\$7,492

TABLE 3**Teachers****Teacher Salary Schedule****For the 2002-2003 School Year****NBPTS Bonus = 12%, Master's 10.00% Higher Than Bachelor's
Annual Salary**

Years of Experience	"A" Teachers	NBPTS Certification	Years of Experience	"M" Teachers	NBPTS Certification
0	\$2,525	N/A	0	\$2,778	N/A
1	\$2,567	N/A	1	\$2,824	N/A
2	\$2,611	N/A	2	\$2,872	N/A
3	\$2,764	\$3,096	3	\$3,040	\$3,405
4	\$2,904	\$3,252	4	\$3,194	\$3,577
5	\$3,036	\$3,400	5	\$3,340	\$3,741
6	\$3,164	\$3,544	6	\$3,480	\$3,898
7	\$3,266	\$3,658	7	\$3,593	\$4,024
8	\$3,314	\$3,712	8	\$3,645	\$4,082
9	\$3,362	\$3,765	9	\$3,698	\$4,142
10	\$3,412	\$3,821	10	\$3,753	\$4,203
11	\$3,461	\$3,876	11	\$3,807	\$4,264
12	\$3,511	\$3,932	12	\$3,862	\$4,325
13	\$3,561	\$3,988	13	\$3,917	\$4,387
14	\$3,614	\$4,048	14	\$3,975	\$4,452
15	\$3,667	\$4,107	15	\$4,034	\$4,518
16	\$3,722	\$4,169	16	\$4,094	\$4,585
17	\$3,777	\$4,230	17	\$4,155	\$4,654
18	\$3,834	\$4,294	18	\$4,217	\$4,723
19	\$3,892	\$4,359	19	\$4,281	\$4,795
20	\$3,950	\$4,424	20	\$4,345	\$4,866
21	\$4,011	\$4,492	21	\$4,412	\$4,941
22	\$4,072	\$4,561	22	\$4,479	\$5,016
23	\$4,136	\$4,632	23	\$4,550	\$5,096
24	\$4,200	\$4,704	24	\$4,620	\$5,174
25	\$4,264	\$4,776	25	\$4,690	\$5,253
26	\$4,330	\$4,850	26	\$4,763	\$5,335
27	\$4,398	\$4,926	27	\$4,838	\$5,419
28	\$4,467	\$5,003	28	\$4,914	\$5,504
29	\$4,538	\$5,083	29	\$4,992	\$5,591
30+	\$4,538	\$5,083	30+	\$4,992	\$5,591

Note: Teachers with 29+ years of experience that did not receive an experience-step salary increase are eligible for the 10-day Special Annual Leave Bonus for those personnel employed on September 30, 2002.

RETIREMENT AND PENSION CHANGES FOR STATE AND LOCAL PERSONNEL

2002 LEGISLATIVE ACTIONS

A. CURRENTLY EMPLOYED EMPLOYEES

- (1) **Retirement Contributions Reduced:** The 2002 Session of the General Assembly reduced the State contribution rate from 1.97% of payroll to **zero**, effective July 1, 2002, which reduced the appropriation by \$143 million from the General Fund and \$7.2 million from the Highway Fund.

The 2002 Session of the General Assembly reduced the State contribution rate to Consolidated Judicial Retirement System, effective July 1, 2002, from 14.05% to 11.92% of covered payroll. The rate reduction reduced the General Fund appropriation by \$1.1 million.

The 2002 Session of the General Assembly reduced the State contribution rate to Legislative Retirement System, effective July 1, 2002, from 23.2% to **zero**, which reduced the contributions by \$835,000.

- (2) **Firemen and Rescue Squad Worker's Pension Fund:** The 2002 Session of the General Assembly enacted, effective July 1, 2002, an increase in the pension for members of the Firemen's and Rescue Squad Workers' Pension Fund from \$151 to \$156 per month at a cost of \$1.4 million annually. This increase applies to current pensioners and to those entitled to receive a pension in the future at age 55 with 20 years of service. The 2002 Session of the General Assembly reduced the contributions to the Firemen's and Rescue Squad Worker's Pension Fund by \$5,248,601. The budgeted contribution for 2002-03 is \$6,856,179.

The General Assembly also passed legislation that will allow members of the Firemen's and Rescue Squad Workers' Pension Fund with ten or more years of service to continue membership in the Fund by making contributions of \$10 per months in the event that the volunteer department is taken over by a city or county.

- (3) **Benefit Accrual Rate Increased:** The 2002 Session of the General Assembly enacted legislation, effective July 1, 2002, to increase the benefit accrual rate, or retirement formula, in the Teachers' and State Employees' Retirement System from 1.81% to 1.82% of average final compensation per year of creditable service. The net effect of this increase will be to increase the annual retirement allowance of all employees who retire on and after July 1, 2002, by approximately 0.6%. The General Assembly funded the increase with unencumbered actuarial gains within the System, as of December 31, 2000, which is the equivalent cost of \$30.4 million annually from the General Fund and \$1.5 million from the Highway Fund.

Also, effective July 1, 2002, the benefit accrual rate, or retirement formula, was increased in the Local Governmental Employees' Retirement System from 1.81% to 1.82% of average final compensation per year of creditable service. The net effect of this increase will be to increase the annual retirement allowance of all employees who retire on and after July 1, 2002, by approximately 0.6%. The General Assembly funded the increase with unencumbered actuarial gains within the Local System, as of December 31, 2000, which is the equivalent cost of \$7.6 million annually from local funds.

- (4) **Purchase of Withdrawn Service:** The 2002 Session of the General Assembly repealed all the past service purchase laws in the Local Governmental Employees' Retirement System effective January 1, 2003, and enacted legislation which makes the purchase of withdrawn service simpler. The new legislation allows any member who has a withdrawn account to be eligible to purchase the withdrawn service once they have returned to service and have completed five years of membership service. The amount they have to repay is the amount they withdrew plus 6½% interest compounded annually. Retirees will also be eligible to purchase withdrawn service.
- (5) **Job Sharing Teacher Positions:** The 2002 Session of the General Assembly will allow classroom teachers who are in a job-sharing position to become members of the Teachers' and State Employees' Retirement System. Under current law, only teachers who work a minimum of 30 hours per week for nine or more months per year are members of the System and this will be the first type of part-time employment that will require membership in the System. Service will be earned on part-time basis as it relates to full-time.
- (6) **Conform With the Economic Growth and Tax Relief Reconciliation Act (EGTRRA):** The 2002 Session of the General Assembly enacted legislation which conforms the four major retirement systems with the Economic Growth and Tax Relief Reconciliation Act of 2001. This included a broad array of changes in the tax laws governing qualified pension plans, which were intended to improve and simplify the ability of Americans to save for retirement. The bill would conform the law governing each of the four major retirement systems to allow the purchase of service credit through the rollover of contributions made to a 403(b) annuity contract, a 457(b) plan, an IRA, or another qualified pension plan. The bill would also authorize the purchase of service credit through a direct plan-to-plan transfer from a 403(b) or 457(b) plan or from one of the Supplemental Retirement Income Plans. The bill also makes several changes to contribution and benefit limits, such as the maximum annual compensation used for determining all benefits under the plan would be set at \$200,000, effective January 1, 2002, and indexed for inflation thereafter. The law was also changed to conform benefit limits to the federal law.
- (7) **Conform Treatment of Retirees Employed with the General Assembly:** The 2002 Session of the General Assembly required a retiree of the Teachers' & State Employees' Retirement System who is reemployed with the General Assembly on a full-time permanent basis to become a contributing member of the retirement system. If a retiree is reemployed with another State agency or department on a full-time basis, the retirement benefit is suspended and the employee becomes a contributing member of the retirement system. This will conform the treatment of retirees reemployed with the General Assembly as a full-time permanent employee to those reemployed with other State agencies or departments.
- (8) **Special Pay Plan for Public Employees:** The 2002 Session of the General Assembly authorized the Governor to establish a Board of Trustees of the North Carolina Public Employee Special Pay Plan. The Board shall adopt and implement an Internal Revenue Service approved Special Pay Plan for State employees. A Special Pay Plan is a qualified retirement plan under Section 401(a) of the Internal Revenue Code, which is approved by the Internal Revenue Service, that reduces the federal tax burden on special compensation payments made on behalf of State employees which if paid directly to a state employee in cash would be compensation income within the meaning of the Internal Revenue Code. The Plan will reduce the federal and state taxes plus FICA for any payment to members who are 55 or older who receive terminal pay in the amount of \$5,000 or more for sick leave, annual leave or bonuses.

- (9) **Retirement Benefits for Teacher Participating in Foreign Exchange Programs:** The 2002 Session of the General Assembly amended the definition of “Teacher” in the Teachers’ and State Employees’ Retirement System and the definition of “Exchange teacher” in public education laws to exclude from membership any nonimmigrant alien employed in elementary or secondary public schools and participating in an exchange visitor program designated by the United States Department of State.
- (10) **Pension Tax Compliance with EGTRRA:** The 2002 Session of the General Assembly enacted legislation that conforms North Carolina’s tax treatment of pension benefits and distributions to federal law. Some of the more notable changes Economic Growth and Tax Relief Reconciliation Act of 2001 made to the pension laws are as follows:
- It allows taxpayers to contribute more to their tax-deferred retirement accounts. It gradually increases the amount that may be contributed to a 401(k), 403(b), and 457 accounts between 2002 and 2006. The contribution limit will increase to \$15,000 in 2006. Starting in 2007, the limit will be indexed for inflation in \$500 increments. It also allows persons who are 50 or older to make an additional catch-up contribution to their tax-deferred retirement accounts.
 - It increases the amounts that may be contributed to both traditional IRAs and Roth IRAs from \$2,000 in 2001 to \$3,000 in 2002. This amount gradually increases to \$5,000 for 2008. After 2008, this amount will be indexed annually for inflation. It also allows people over the age of 50 to make catch-up contributions to an IRA.
 - It modifies the distribution rules for governmental 457 plan participants so that their deferred compensation funds will be taxed when they receive the distribution, not when it is made available to them.
 - It repeals the coordination of deferrals between 457 and other elective deferral plans. Under former law, the maximum deferral amount for a 457 plan was reduced dollar for dollar by any contribution made to other types of retirement plans. The tax law change means that a person may defer the maximum annual contribution limit to a 457 plan as well as the maximum amount in a 401(k) or 403(b) plan.
 - It expands the types of eligible tax-free rollover distributions to include distributions from qualified plans, 403(b) annuities, and 457 plans to other such plans and distributions from IRAs to qualified plans, 403(b) annuities, and 457 plans.
 - It allows a surviving spouse to roll over distributions from a deceased spouse’s plan to his or her own plan. Prior to this change, the tax-free rollover had to be made to an IRA.

B. RETIRED EMPLOYEES

- (1) **Cost-of-Living Adjustment in Retirement Allowances for Retired Teachers and State Employees:** Effective July 1, 2002, the General Assembly provided a 1.4% increase in the retirement allowances paid to beneficiaries of the Teachers’ and State Employees’ Retirement System whose retirement began on or before July 1, 2001. In addition, beneficiaries who retired after July 1, 2001, and before June 30, 2002, were authorized an increase in their retirement allowances on July 1, 2002, equal to a prorated amount of the 1.4% increase provided to those who retired on or before July 1, 2001. The prorated amount will be determined by the Retirement System’s Board of Trustees based upon the number of months that a retirement allowance was paid during 2001-02.

This increase in retirement allowances was funded out of unencumbered actuarial gains in the Teachers' and State Employees' Retirement System as of December 31, 2000, which is the equivalent cost of \$29 million annually from the General Fund and \$1.4 million annually from the Highway Fund.

- (2) **Cost-of-Living Adjustment in Retirement Allowances for Retired Judges, District Attorneys, and Superior Court Clerks:** Effective July 1, 2002, the General Assembly provided a 1.4% increase in the retirement allowances paid to beneficiaries of the Consolidated Judicial Retirement System whose retirement began on or before July 1, 2001. In addition, beneficiaries who retired after July 1, 2001, and before June 30, 2002, were authorized an increase in their retirement allowances on July 1, 2002, equal to a prorated amount of the 1.4% increase provided to those who retired on or before July 1, 2001. The prorated amount will be determined by the Retirement System's Board of Trustees based upon the number of months that a retirement allowance was paid during 2001-02.

This increase in retirement allowances was funded out of unencumbered actuarial gains in the Consolidated Judicial Retirement System as of December 31, 2000, which is the equivalent cost of \$305,000 annually from the General Fund.

- (3) **Cost-of-Living Adjustment in Retirement Allowances for Retired Local Government Employees:** Effective July 1, 2002, the General Assembly provided a 1.4% increase in the retirement allowances paid to beneficiaries of the Local Governmental Employees' Retirement System whose retirement began on or before July 1, 2001. In addition, beneficiaries who retired after July 1, 2001, and before June 30, 2002, were authorized an increase in their retirement allowances on July 1, 2002, equal to a prorated amount of the 1.4% increase provided to those who retired on or before July 1, 2001. The prorated amount will be determined by the Retirement System's Board of Trustees based upon the number of months that a retirement allowance was paid during 2001-02.

The General Assembly funded the increase with unencumbered actuarial gains within the Local System as of December 31, 2000, which is the equivalent cost of \$5.7 million annually from local funds.

- (4) **Cost-of-Living Adjustment in Retirement Allowances for Retired Legislators:** Effective July 1, 2002, the General Assembly provided a 1.4 increase in the retirement allowances paid to beneficiaries of the Legislative Retirement System who retired on or before January 1, 2002, comparable to the same type of increases granted to retired beneficiaries of the Teachers' and State Employees' Retirement System. In addition, beneficiaries who retired after January 1, 2002, but before June 30, 2002, were authorized an increase in their retirement allowances on July 1, 2002, equal to a prorated amount of the 1.4% increase provided to those who retired on or before January 1, 2002. The General Assembly funded the increase with unencumbered actuarial gains within the Legislative System as of December 31, 2000, which is the equivalent cost of \$25,000 from the General Fund.

- (5) **Additional Increase in Retirement Allowances for Retired Teachers and State Employees Corresponding to an Increase in the Benefit Accrual Rate:** Effective July 1, 2002, retired beneficiaries of the Teachers' and State Employees' Retirement System whose allowances were computed on a benefit accrual rate of less than 1.82% of average final compensation per year of service, will have their retirement allowances increased by 0.6% to reflect the increase in the benefit accrual rate for currently-employed employees to 1.82% which was authorized by the 2002 General Assembly, also effective July 1, 2002. This additional retirement allowance increase was funded out of unencumbered actuarial gains available to the Retirement System as of December 31, 2000.

- (6) **Additional Increase in Retirement Allowances for Retired Local Employees Corresponding to an Increase in the Benefit Accrual Rate:** Effective July 1, 2002, retired beneficiaries of the Local Governmental Employees' Retirement System whose allowances were computed on a benefit accrual rate of less than 1.82% of average final compensation per year of service, will have their retirement allowances increased by 0.6% to reflect the increase in the benefit accrual rate for currently-employed employees to 1.82% which was authorized by the 2002 General Assembly, also effective July 1, 2002. This additional retirement allowance increase was funded out of unencumbered actuarial gains available to the Retirement System as of December 31, 2000.
- (7) **Extend the Sunset that allows Retired Teachers To Work With No Earnings Restrictions:** The 2002 Session of the General Assembly enacted legislation, effective July 1, 2002, which extends the sunset to June 30, 2004, that removes any restrictions on the amount of post-retirement earnings for any retiree of the Teachers' and State Employees' Retirement System, who is employed to teach on a substitute, interim or permanent basis in a public school. To qualify, a teacher must have been retired for six months and not have been employed in any capacity with a public school, except as a substitute teacher or part-time tutor, for at least six months immediately preceding the return to teaching. This was funded out of unencumbered actuarial gains available to the Retirement System as of December 31, 2000, which is the equivalent cost of \$1.5 million from the General Fund and \$74,000 from the Highway Fund.
- (8) **Modify Earnings Restrictions for Re-employed Retirees:** The 2002 Session of the General Assembly changed the earnings test that limits the amount of income a retiree is allowed to earn before retirement benefits are suspended for the remainder of the calendar year. Under the new law, a retiree is allowed to be re-employed with a State employer participating in the retirement system and earn 50% of the salary earned during the 12 months of service prior to retirement in any calendar year or during the 12 months immediately following retirement or \$23,600, whichever is greater. This change also grandfathered any employees who had retired by September 1, 2002, and had an employment agreement for the 2002-03 year.
- (9) **Dues Deductions for Retirees:** The 2002 Session of the General Assembly allowed for the deduction of dues for any domiciled employee or retiree associations that has at least 2,000 members, the majority of who are active or retired employees. This affects the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Consolidated Judicial Retirement System, the Legislative Retirement System, the Firemen's and Rescue Squad Workers' Pension Fund and the National Guard Pension Fund.
- (10) **Special Separation Allowance for Law Enforcement Officers:** The 2002 Session of the General Assembly allowed any retired law enforcement officer who returns to employment in an exempt position in an agency other than the one they retired from to continue to receive benefits from the Special Separation Allowance.

BENEFIT CHANGES FOR STATE AND LOCAL PERSONNEL

10-DAY SPECIAL ANNUAL LEAVE BONUS

The General Assembly enacted budgetary language authorizing State Employees who are employed on a permanent and full-time status, and eligible to earn annual leave on September 30, 2002 to be awarded a 10-day Special Annual Leave Bonus. The leave is to be accounted for separately and shall remain available to the employee until used and not converted to sick leave.

In the Public Schools, non-certified personnel and central office personnel are eligible for the 10-day Special Annual Leave Bonus. Teachers and school administrators are not eligible for the leave bonus except for those teachers who are at the top of their respective salary schedules and do not receive a salary step increase.

In the Community College system, the General Assembly enacted budgetary language encouraging the State Board of Community Colleges to adopt rules authorizing the colleges to provide special annual leave bonuses, compensation bonuses, or other employee benefits to their employees including salary increases within available funds to employees not receiving special annual leave bonuses.

ADDITIONAL FAMILY AND MEDICAL LEAVE

Under budgetary language enacted by the General Assembly, a State employee is entitled to take up to 52 weeks of leave without pay during a five-year period in order to care for the employee's child, spouse, or parent where that child, spouse, or parent has a serious health condition.

HEALTH & HUMAN SERVICES EXEMPT POLICY-MAKING POSITIONS

The General Assembly enacted budget language to allow the Governor at any time to increase by five the number of exempt policy-making positions in the Department of Health and Human Services but provided that at no time shall the total number of exempt policy-making positions across all Cabinet departments exceed 105 positions.

STATE EMPLOYEE HEALTH BENEFIT CHANGES

A. CHANGES IN PLAN BASIC BENEFITS: The 2002 Session of the General Assembly followed the active 2001 Session as far as employee health benefits were concerned with few changes in the indemnity benefits of the Teachers' and State Employees' Comprehensive Major Medical Plan. These changes were:

(1) Effective July 1, 2002, the 2002 Session covered the services of clinical pharmacist practitioners who are approved by the North Carolina Board of Pharmacy and North Carolina Medical Board. Clinical pharmacist practitioners became a new level of pharmacy in North Carolina in July, 2000, with rules promulgated by the Board of Pharmacy and Medical Board in April, 2001. These pharmacists have advanced training and work collaboratively with licensed physicians to implement pre-determined agreements for drug therapy such as aminoglycoside (antibiotics for bacterial infections) dosing, anti-coagulation management, theophylline (bronchodilators) dosing, pain management, refill programs, and disease management programs for chronic diseases such as asthma and diabetes.

(2) The 2001 Session of the General Assembly authorized the Plan's Executive Administrator to annually increase the Plan's deductibles for individuals and contracts by increases in the medical consumer price index, effective July 1, 2002. The Plan's consulting actuary, Aon Consulting, consequently recommended a 4.7% increase in the Plan's deductibles. The Plan's Executive Administrator recommended to the Plan's Board of Trustees that the Plan's individual deductible be increased from \$350 to \$365 per year and that the maximum annual deductible per contract be increased from \$1,050 to \$1,095, beginning July 1, 2002. The Trustees of the Plan refused to accept this recommendation. Even though the Plan's Executive Administrator could have increased these individual and contract deductibles without acceptance by the Plan's Board of Trustees, no increase in the deductibles was made on July 1, 2002.

B. CHANGES IN PLAN ADMINISTRATION:

(1) The 2002 Session of the General Assembly made slight changes in the composition of the Plan's Board of Trustees. The Session required that one of the Governor's three appointments to the Plan's Board of Trustees be either an employee of a state department, agency, or institution, an employed teacher of a public school system, a retired employee of a state department, agency, or institution, or a retired teacher of a public school system. The Session also eliminated any designations for appointments to the Plan's Board of Trustees by the General Assembly upon recommendation of the Speaker of the House and President Pro Tempore of the Senate as well as the Plan's prohibition of anyone who receives benefits from the Plan or provides services, equipment, or supplies to the Plan from being a Trustee, which

has been the actual practice over the last several years. These changes were made effective for appointments and reappointments made on and after October 1, 2002.

(2) Effective January 1, 2003, the General Assembly provided for partially contributory premiums to the Plan for public school classroom teachers in job-sharing appointments. Job-sharing appointments are teachers employed for 50% of a teacher's normal workweek as determined by each employing local board of education. For these job-sharing appointments, employing boards pay 50% of the Plan's non-contributory premium amount to the Plan with the job-sharing teacher paying the remainder of the non-contributory premium amount.

Note: The 2002 Session of the General Assembly accepted the Governor's recommendation to cut \$12,621,872 from the 2002-03 General Fund statewide premium increase reserve appropriation for premium payments by employing state agencies and institutions, universities, public school units, and community colleges to the Plan. The Governor had initially recommended a \$200 million General Fund appropriation for this 2002-03 reserve, which was appropriated by the General Assembly in 2001. The reduction was a result of General Fund reserves already in the budgets of state agencies and institutions, universities, public school units, and community colleges generated in part by reductions in the number of budgeted personnel in 2001-02 and 2002-03. Benefits and premium rates of the Plan are not expected to be impacted by this reduction.

REVENUE & FEE BILLS

BILLS AFFECTING GENERAL FUND REVENUES

Senate Bill 1054, Chapter 158 Judicial Campaign Reform Act

Summary: Intends to provide full public financing for candidates in the general election for Court of Appeals and Supreme Court who accept fundraising and spending limits. The chief funding mechanisms are voluntary contributions from a \$3 designation made on the State income tax form and a \$50 contribution from attorneys who pay a privilege license fee. Requires the State Board of Elections to publish and distribute a judicial voters' guide to every residence before primary and general elections.

Effective Date: Campaign financing effective for 2004 elections for Supreme Court and Court of Appeals. The limit on contributions is effective January 1, 2003. The \$50 attorney contribution is effective on July 1, 2003. The \$3 income tax designation is effective for tax year 2003.

Fiscal Effect: Once in effect, it is estimated that the NC Public Campaign Financing Fund (Fund) could have revenues up to approximately \$1.8 million in FY 2004-05. Any funds that would be designated from income tax for the Fund would normally go to the General Fund, thus any amount designated will decrease General Fund availability.

	Total Revenue					
	<u>FY 02-03</u>	<u>FY 03-04</u>	<u>FY 04-05</u>	<u>FY 05-06</u>	<u>FY 06-07</u>	<u>FY 07-08</u>
Transfer from Candidate FF	\$360,323	\$0	\$0	\$0	\$0	\$0
Taxpayer Designation**	\$0	\$1,217,415	\$1,217,415	\$1,217,415	\$1,217,415	\$1,217,415
Privilege License*	\$0	\$0	\$576,250	\$576,250	\$576,250	\$576,250
Total	\$360,323	\$1,217,415	\$1,793,665	\$1,793,665	\$1,793,665	\$1,793,665

* Assumes 100% election by attorney (11,525) to pay \$50 increase in privilege tax.

** Assumes that 8% of the 5,072,563 taxpayers will make a \$3 designation ($5,072,563 * .08 * \$3 = \$1,217,415$)

The Fund will distribute revenues to candidates certified to participate in publicly financed campaigns. It is estimated that in the 2004 elections (1 Supreme Court seat, 1 Court of Appeals seat) \$680,000 will be given to candidates; in the 2006 elections (2 Supreme Court seats, 4 Court of Appeals seats) \$1,912,800 will be given to candidates; and in the 2008 elections (4 Supreme Court seats, 10 Court of Appeals seats) \$2,189,200 will be given to candidates.

Initial non-recurring costs associated with implementation of the Fund will be \$37,200 for the State Board of Elections and \$178,600 for the Department of Revenue. Fund revenues will finance State Board of Elections annual recurring costs of \$806,619 associated with Fund administration and the publication of the voters' guide.

Senate Bill 1115, Chapter 126
Modify Appropriations Act of 2001

- 29A.1 Increases the community service work program fee from \$100 to \$200. Offenders sentenced to community service, either as part of supervised probation, parole, unsupervised probation, a DWI offense, or first offender/deferred prosecution, pay the one-time fee within two weeks of judgment, generally prior to beginning community service. Fees are collected by Clerks of Court and remitted to the State Treasurer/General Fund. Statistics show a growth rate of 1.8% per year in fees. Future year projections assume continued growth in fees of 1.8% but a decrease in collection rate from 71% to 69% due to the higher fee. The chart below shows new revenue realized from the \$200 fee, effective October 1, 2002.

FY 2002-03	\$3.8 million
FY 2003-04	\$5.2 million
FY 2004-05	\$5.3 million
FY 2005-06	\$5.4 million
FY 2006-07	\$5.5 million

- 29A.2 Increases the offender supervision fee from \$20 to \$30. Offenders on probation, parole and post release supervision pay this fee each month during their term of supervision. The current population on probation/parole is 116,856 and is projected to remain stable. Currently, 58% of probationers are ordered to pay the fee and 62% of those pay it for an overall collection rate of 37%. Fees are paid to the Clerk of Court and remitted to the General Fund. Collection rates were projected to increase to 45% in FY 2003-04 if the fee remained at \$20. With the \$30 fee, collection rates are assumed to plateau at 40% in FY 2002-03. The fee increase will bring in \$4.5 million each year.
- 29A.3 Ends the exemption from court costs for violators of the mandatory seat belt (driver and passenger) and motorcycle/moped helmet laws. Violators of these infractions do not currently pay court costs, but they do pay a \$25 fine that is redistributed to the county school fund. In calendar year 2001, there were 184,525 convictions/admissions of responsibility with payment of fines for the seat belt violations. (The number of motorcycle violations is small and not included in revenue projections.) Collections for seat belt violations have increased an average of 6% over the past four years. Future projections assume a more conservative growth rate of 3% for the first two years and no growth in future years. The annual revenue from this change is \$8.4 million (\$6.3 million in FY 2002-03 due to October 1 effective date).

- 29A.4 Increases the General Court of Justice Fees by \$10 for District and Superior Court criminal and civil cases. Each \$1 of General Court of Justice Fees raises approximately \$1,440,469 (excluding special proceedings and estates which would not be affected here) based on FY 2000-01 collections. Future projections assume a 1% growth rate each year. The annual revenue from this increase is \$13.2 million (\$9.9 million in FY 2002-03 due to October 1 effective date).
- 29A.5 Authorizes the Department of Justice (DOJ) to charge \$65 to process expungement requests for first offenders under the age of 18 at the time of conviction. GS 15A-145 states “the cost of expunging such records shall be taxed against the petitioner”, but no petitioners have ever been charged for this service. According to DOJ data from calendar year 2001, the State Bureau of Investigation received 1,754 applications for expungement. This fee will generate \$120,000 annually, but only \$90,000 in FY 2002-03 due to the October 1 effective date.
- 29A.6 Requires that court costs be waived when filing for protective orders or witness subpoenas related to cases of domestic violence. This is a requirement for the state to be in compliance with the federal Violence Against Women Act. Under current law, the cost of filing for a protective order is \$65 in District Civil Court with \$44 of this going to the General Fund and the remaining \$21 going to local governments. However, because court fees are waived if the party is indigent, not all domestic violence victims currently pay these fees. Administrative Office of the Courts' (AOC) data indicates that there were 21,615 cases in 2001 where domestic violence and ex parte restraining orders were the only issues. When domestic violence was only one of the issues, court fees will still apply. The AOC estimates that, 15% of these plaintiffs are currently paying court fees. The annual revenue loss is estimated to be \$140,000 (\$100,000 in FY 2002-03 due to October 1 effective date).
- 29A.7 Increases the fee in the worthless check program from \$50 to \$60. The program, gives individuals who have written bad checks a last chance to avoid criminal prosecution by paying a fee and making restitution on the bad check. In 2001, the program collected restitution on 13,375 worthless checks. The additional annual revenue for this agency receipt is estimated to be \$130,000 (\$90,000 in FY 2002-03 due to October 1 effective date).
- 29A.8 1) Requires that convicted offenders pay restitution for the cost of laboratory analyses, unless the judges waive payment; 2) extends laboratory restitution payments to alcohol and DNA analyses; and 3) increases the laboratory restitution payment from \$100 to \$300. The SBI Crime Laboratory performs 25,000 to 30,000 drug, 3,000 alcohol, and 1,700 molecular genetic (DNA and body fluids) analyses annually. The statute does not permit judges to order restitution payments for the cost of alcohol analyses performed for DWI cases or for any DNA analyses. Judges currently order restitution payments for only

about 10 percent of the analyses performed. In FY 2000-01, the SBI received restitution payments for 2,500 of the analyses performed. The fiscal estimates assume restitution payments will be ordered in 20 percent of cases, double the existing rate. In addition, it is assumed the collection rate will be equivalent to that for parole and probation fees in the Department of Correction, about 35 percent. The annual revenue anticipated from these changes is \$670,000 (\$500,000 in FY 2002-03 due to October 1 effective date).

29A.9 Authorizes a new \$50 fee for persons requesting appointment of counsel in criminal cases. This fee will be due at the time of appointment but inability to pay the fee will not prevent the person from receiving counsel. Of the \$50, \$5 shall be credited to the Court Information Technology Fund (7A-343.2) and the remainder shall be budgeted as a receipt to the Office of Indigent Defense Services. In areas of the country with the fee, collection rates vary from 6% to 20%. Based on 200,000 cases per year and a collection rate of 10%, this fee will raise \$1,000,000 per year. With an effective date of December 1, 2002, the first year proceeds would be \$580,000. Of this, \$60,000 will go to the Court Information Technology Fund.

29A.10 Increases special fees charged by magistrates. The chart below shows the current fees and the proposed increases.

Fee	Current	New
Marriage Ceremony	\$10	\$20
Hearing petition for year's allowance	\$ 4	\$ 8
Taking Deposition	\$ 5	\$10
Proof of execution or acknowledgment of any instrument	\$ 1	\$ 2
Other statutory functions not incident to civil/criminal action	\$ 1	\$ 2

Together, these fees brought in \$224,619 in FY 1999-2000 and \$253,669 in FY 2000-01. Using the most recent figures, doubling each fee would double the receipts for a net gain of \$253,669. With an October 1 effective date, the FY 2002-03 proceeds would be \$190,251.

29A.11 Imposes \$60 in General Court of Justice fees to parties who successfully resolve criminal issues through dispute settlement centers. In these cases, no court costs are levied although court resources have been used. This bill would require a fee equal to the General Court of Justice Fee, to be collected by the Clerk of Courts but remitted to the General Fund. The Mediation Network of North Carolina reports receiving 12,969 referrals from court officials for criminal matters in FY 2000-01, with a 71% success rate, suggest 9,260 cases will be subject to this new fee. Assuming 75% collection, the fee will raise \$360,000 per year. With an October 1 effective date, first year proceeds are \$270,000

- 29A.13 Establishes a \$200 annual registration and inspection fee for persons holding a malt beverage, fortified wine or unfortified wine permit. The fee must be paid to the Alcoholic Beverage Control Commission by May 1 each year. This permit is expected to generate \$7.8 million each year for the General Fund.
- 29A.13.1 Increases various fees and commissions authorized in GS 7A-308 and collected by the Clerk of Superior Court. These fee increases will yield approximately \$3.5 million a year (\$2.6 million in FY 2002-03).
- 29A.15 Increases the Department of Environment and Natural Resources (DENR) annual food and lodging facilities fee from \$25 to \$50. 1/3 of the fees are used to support the state food and lodging program, with two-thirds of the fees distributed to local food and lodging programs.

Using an average of 26,600 food and lodging facilities, it is estimated that approximately \$665,000 in additional revenue will be raised annually from the fee increase. Of this total amount, \$221,667 will remain at the state level and \$443,333 will be distributed to local programs at the county level in each of next five years. In FY 2002-03, these totals will be reduced 25% due to the October 1 effective date.

- 29A.16 Establishes two new fees: 1) a \$200 fee that DENR may charge for plan review of prototype franchised or chain facilities for food establishments subject to food and lodging regulation and 2) a fee not to exceed \$200 that local health departments may charge for plan review of local restaurants that are not prototype franchised or chain facilities.

It is estimated that the Division will review an average of 400 plans annually in each of the next five years. At \$200, the plan review fee will generate \$80,000 at the state level. The additional revenue will be \$60,000 in FY 2002-03 due to the October 1 effective date.

The Division estimates that approximately 1,000 plans are reviewed at the local level on an annual basis. Since the fee language is permissive and allows local health departments to charge up to \$200, no fiscal estimate is possible.

- 29A.18 Amends GS 130A-93.1 to increase all vital records transaction fees to \$15. The fee increase will raise approximately \$500,000 in additional revenue each year.
- 29A.19 Establishes a \$10 fee for each newborn screening test performed by the State Lab in the Department of Health and Human Services. The fee is to be charged to hospitals and birthing centers and is expected to generate sufficient funds to make the Newborn Screening Program completely receipt supported. The estimated revenue is \$800,000 each fiscal year. The five-year projection is based on a modest annual increase in the state birth rate of 2%.

29A.21 to

29A.37 Increases various Secretary of State fees. The fee increases are scheduled to bring in approximately \$4.29 million in additional General Fund revenue each year (\$2.86 million in FY 2002-03 due to the October 1 effective date).

30B.1.a Delays a scheduled \$500 increase in the standard deduction for married filing jointly income tax payers from tax year 2002 to tax year 2003 (from \$5000 to \$5500). Section 30B.1.b delays the additional \$500 standard deduction increase for these tax filers from 2003 to 2004. The standard deduction change is meant to reduce the “marriage penalty” where married individuals filing jointly pay more in tax than if the two individuals were unmarried filing as single persons. Since the original fiscal estimate assumed income tax withholding in tax year 2002 (second half of FY 01-02 and first half of FY 02-03), a delay in the standard deduction increase will result in a General Fund revenue gain from increased tax liability on 2002 tax returns. However, not all of the \$41.7 million estimated General Fund loss from the original bill will be regained next fiscal year. The 2003 effective date for the standard deduction increase means married filing jointly taxpayers can change their income tax withholding in the first half of 2003 and reduce their tax payments by \$9.8 million. The net gain from this delay from 2002 to 2003 is \$31.9 million (\$41.7 million minus \$9.8 million). For the \$6000 standard deduction delayed until 2004, the estimated revenue loss is \$32.4 million in FY 2003-04. Since the original estimate for FY 2003-04 was \$45 million, the General Fund will gain \$12.6 million that year.

30B.2.a Delays the first \$15 increase in the child tax credit from 2002 to 2003 (\$60 to \$75) and Section 30B.2.b delays the second \$25 increase from 2003 to 2004 (\$75 to \$100). The delay will eliminate the \$19.8 million General Fund loss for FY 2002-03 and result in a General Fund revenue gain of an equal amount. There is a revenue gain of \$34.9 million in FY 2003-04 because the \$75 credit in 2003 has a \$19.9 million revenue loss versus the \$54.8 million loss for the now scheduled \$100 credit. The first increase will reduce General Fund revenue \$19.8 million in FY 2002-03 for taxpayers filing returns in the spring of 2003. The second year increase will boost the revenue loss to \$54.8 million in FY 2003-04. This tax change will benefit 18,354 single tax filers, 496,286 married couples, and 411,648 heads of households in tax year 2002. This revenue estimate was calculated using the North Carolina Individual Income Tax Model.

30C.1 Changes the state tax law reference to the Internal Revenue Code from January 1, 2001, to May 1, 2002. Since North Carolina individual and corporate income tax law tracks the federal income tax law, it is necessary each year to update state statutory references to the Internal Revenue Code (IRC). Congress enacted two major bills in calendar years 2001 and 2002 that have a negative revenue impact on the state General Fund. The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) included numerous provisions that impact North Carolina individual and corporate income tax. This section

conforms state law to the education provisions in the bill that affect education IRAs, Qualified Tuition Plans, deduction for higher education expenses, interest from student loans, and employer provided assistance. The bill conforms North Carolina law to the pension provisions in the act that affect IRA contribution limits, deferred comp plan deferral limits, and plan portability. The bill accepts changes in the phase out of itemized deductions and personal exemptions beginning in 2006. However, the bill does not conform to the estate tax changes in the act. (see 30C.3 below)

This section conforms the state tax code to the Job Creation and Worker Assistance Act of 2002 except for the accelerated depreciation rules (see 30C.2 below). Included in the bill are changes to net operating losses, the extension of expiring tax provisions, and a new above the line \$250 deduction for teachers' classroom expenses.

The estimate of the state's revenue loss from the federal changes is based on the fiscal analysis of the Congressional Joint Committee on Taxation. The state General Fund revenue impact from conforming to the two federal bills is as follows:

FY 2002-03	-\$16.9 million
FY 2003-04	-\$25.5 million
FY 2004-05	-\$49.7 million
FY 2005-06	-\$76.9 million
FY 2006-07	-\$77.3 million

- 30C.2 Modifies the state's conformity to the accelerated 30% bonus depreciation allowance authorized by the Job Creation and Worker Assistance Act of 2002. The change in federal law results in a taxpayer recovering the basis in an asset sooner than under former law; however, over the life of the asset the taxpayer still receives the same benefit. This bill allows a taxpayer to continue to be able to deduct the same amount of an asset's basis under both federal and State law; but the timing of the deduction will differ. For the first three years of the federal accelerated depreciation, it provides that a taxpayer must add back to federal taxable income a percentage of the additional 30% accelerated depreciation in the year the accelerated depreciation is claimed for federal purposes. The percentage is 100% for the 2001 and 2002 taxable years and 80% for the 2003 taxable year. There is no add-back for the 2004 taxable year. In tax years beginning on or after January 1, 2005, it provides that the taxpayer may deduct from federal taxable income the total amount of the add-backs required in earlier years, divided into five equal installments.

This section was analyzed using the modified accelerated cost recovery system (MACRS). This system includes depreciation schedules based on double-declining balance depreciation rates for 3, 5, and 7-year property. For other classes, straight-line depreciation was used. In addition, the analysis used the

"mid-year convention" for the assumed investments. A simulation looked at investments for all class lives eligible for bonus depreciation. Each calculation compared the current law depreciation with that under the 30% bonus. The state revenue impact from this add-back method is as follows:

FY 2002-03	\$38.2 million
FY 2003-04	\$8.6 million
FY 2004-05	-\$60.8 million
FY 2005-06	0
FY 2006-07	0

- 30C.3 Conforms North Carolina's estate "Pick-up" tax exemption limits to the federal exemption limits to ensure that estates in North Carolina do not have to pay State tax if there is no federal tax due. The limits are \$1 million in 2002-03, \$1.5 million in 2004-05, \$2 million in 2006-08, and \$3.5 million in 2009. This section does not conform to the phase out of the state death tax credit for two years. Therefore, an estate of a decedent dying on or after January 1, 2002, and before January 1, 2004, would owe North Carolina estate tax to the same extent that it would be owed without regard to the phase-out of the credit.

The official FY 2002-03 revenue forecast for the estate pickup tax of \$117.3 million was grown by 4% per year to determine receipts for future years. Fiscal Research then reviewed the projected cost for each year of full conformity to the 2001 federal changes contained in a Center For Budget and Policy Priorities (CBPP) report. In addition, state by state estimates contained in an NSCL survey were adjusted for North Carolina by using state-specific federal estate tax return data for 1993-99 (reported gross estate numbers). The estimates finally adopted for purposes of a fiscal note were slightly higher than the CBPP numbers and near the top of the range of the estimates of other states. The revenue impact of this section is as follows:

FY 2002-03	-\$5.5 million
FY 2003-04	-\$7.3 million
FY 2004-05	-\$3.8 million

- 30C.4 Conforms the North Carolina gift tax exclusion to the federal inflation-adjusted gift tax exclusion. Under current North Carolina law, the annual gift tax exclusion is \$10,000. However, the amount excluded from taxation will change as the amount of the federal exclusion changes. This year the federal inflation adjusted exclusion amount was increased to \$11,000. The next exclusion amount change is not expected for at least three years, because the exclusion is only adjusted by increments of \$1,000 whenever a threshold is crossed. As such, Fiscal Research assumes that the bill effectively increases the exclusion to \$11,000 for three fiscal years, and then moves the exclusion to \$12,000 in the following two fiscal years.

The Tax Research Division of DOR believes an estimate of approximately \$180,000 to \$200,000 for the \$1,000 threshold change is reasonable. This suggests that conforming to the indexing of the gift tax (from \$10,000 to \$11,000) will cost the state approximately \$200,000 per year in FY 2002-03 through FY 2004-05, then \$400,000 in the next two fiscal years when the exclusion amount increases to \$12,000.

- 30D Reduces the General Fund share of the administrative costs of the Unauthorized Substance Tax Division of the Department of Revenue, to more accurately reflect accrual cost purposes. Currently seventy-five percent (75%) of the tax proceeds are distributed to the law enforcement agencies that conducted the investigations that led to the assessments, and twenty-five percent (25%) of the tax proceeds are credited to the General Fund.

Under this legislation, seventy percent (70%) of the costs of the Unauthorized Substance Tax Division are taken from local sales and use tax revenue, as this percentage of the Division's cost is considered to be for the benefit of the local entities. The General Fund reimbursement from local sales and use tax funds is approximately \$900,000 per year.

- 30G.1 Amends the definition of "business income" to include all income that is apportionable under the U.S. Constitution, effective for taxable years beginning on or after January 1, 2002. In North Carolina, income is business income if it relates to the regular trade or business of the taxpayer. This definition is vague and narrower than what is allowed under the United States Constitution. If North Carolina is entitled to tax a significant percentage of a corporation's business income, the corporation may try to shift much of its income into the nonbusiness pie in which North Carolina does not share, creating "nowhere" income for tax purposes. Recent court decisions in North Carolina have upheld this tax avoidance technique. Examples of the types of business income that corporations most often recharacterize as nonbusiness income are rents, royalties, gain or loss from the sale of property, interest, and dividends.

One effect of this change will be to include income from extraordinary events, such as a liquidation of a division, in apportionable income, consistent with the Department of Revenue's historical position, as illustrated by its administrative rules, before the North Carolina Supreme Court's decision in *Lenox v. Tolson*. A corporation's income earned out of state from unrelated business activity that makes up a discrete business enterprise would continue to be nonbusiness income that cannot be apportioned – it would continue to be allocated to the state to which it is connected. Based on conservative estimates, the estimated revenue gain from this section is shown below.

FY 2002-03	\$70.0 million
FY 2003-04	\$50.0 million
FY 2004-05	\$53.7 million
FY 2005-06	\$56.7 million
FY 2006-07	\$59.5 million

30G.2 Imposes the state franchise tax on a corporation if the corporation and its related members together indirectly own at least 70% of an LLC's assets. Related members" is a term defined in the "trademark royalties" provision of HB 1157 (Chapter 327 of the 2001 Session) and includes shareholders, partnerships, etc. This section would become effective beginning with payments due in March 2003. If a corporation and its related members together indirectly own at least 70% of an LLC's assets, this section provides that each corporation pays franchise tax on its relative share of the LLC's assets. The relative share is calculated after excluding those related members who are not corporations. Thus, the entire assets are subject to franchise tax, with the tax burden shared proportionally by the corporations that are involved in the ownership scheme. The estimated revenue gain from this section is shown below.

FY 2002-03	\$20.0 million
FY 2003-04	\$21.2 million
FY 2004-05	\$22.5 million
FY 2005-06	\$23.8 million
FY 2006-07	\$25.2 million

30H Enlarges the class of taxpayers eligible for an enhanced credit for investing in low-income housing in a county that sustained severe or moderate damage from a hurricane in 1999. The North Carolina Housing Finance Agency identified 8 projects authorized for a 25% state tax credit in 2000 that would qualify for the 75% state tax credit for those in counties damaged by Hurricane Floyd. These projects have been completed or are nearing completion thus the investors in the projects can begin taking the tax credit in FY 2002-03. Assuming the project investors use 100% of the available tax credit, the additional tax credits granted by this part is \$10,727,800. Since the state tax credit is taken over five years, the General Fund revenue loss is spread over five fiscal years. The annual General Fund loss due to this section is \$2.15 million for Fiscal Years 2002-03 to 2006-07.

Senate Bill 1160, Chapter 72 Revenue Laws Technical Changes

Summary: Allows taxpayers with signed letters of commitment on or before February 28, 2002, to use 2001 enterprise tier and development zone designations for 2001 in calculating their Bill Lee Act credits. (The Department of Commerce did not designate the 2002 county enterprise tiers until after some taxpayers signed letters of commitment under the belief they could calculate Bill Lee Act credits based on the location's enterprise tier designation for 2001.)

Effective Date: When it became law on August 13, 2002.

Fiscal Effect: The investment tax credit thresholds under the revised 2002 levels are lower than the original thresholds for 2001. The fiscal impact is the difference between the credits awarded at both investment levels and threshold amounts. The state General Fund must provide credits of \$725,000 over what it would have credited each fiscal year between 2003-04 and 2006-07. The impact drops to \$25,000 per fiscal year between 2007-08 and 2009-2010.

The eligibility change has no fiscal impact due to the thresholds in the affected counties being fairly small.

Senate Bill 1161, Chapter 108
Amend Use Value Statutes and Other Tax Laws

Summary: Clarifies in section 9 of the bill that equipment used to dispense plant growth inhibitors is not exempt from sales tax. Section 10 changes the due date for quarterly sales tax returns from the 15th of the month to the last day of the month, following the end of the quarter. Sections 11 and 12 change the underpayment penalty calculation for semimonthly taxpayers to conform to the Streamlined Sales Tax Project, and clarify the use of sales and use tax exemption certificates. [The remainder of the bill is discussed in the Local Government Revenue section.]

Effective Date: The sales tax payment date change and the underpayment provisions become effective October 1, 2002. The other sections became effective on September 25, 2002.

Fiscal Effect: The provision related to the sales taxes on plant inhibitor equipment is likely to create a small but undefined revenue gain. The change in sales tax payment dates will result in a small revenue loss due to the loss of the float, but no exact estimate is possible. The remaining items will all result in a slight but undefined loss or no loss to the General Fund.

Senate Bill 1218, Chapter 106
Revenue Laws Enforcement / Enhancements

Summary: Provides for enhanced punishment when an "Income Tax Return Preparer" willfully aids, assists in, procures, counsels, or advises the preparation, presentation, or filing of a return, affidavit, claim, or other document that the person knows is false or fraudulent. Increases the penalty from Class H to Class C felony if the total amount of tax avoided exceeds \$100,000 and from a Class H to Class F felony if the amount is less than \$100,000. The act also makes it a Class F felony for a person to willfully retain money

received from a taxpayer that was intended to be remitted in payment of tax liability. Furthermore, the bill allows persons who have legal access to a person's tax information to disclose information discovered by the Department of Revenue during a criminal investigation to the appropriate state or federal authorities.

Effective Date: December 1, 2002 (except disclosure provision which became effective when bill became law.)

Fiscal Effect: The cost of additional court trials and prison beds due to the increased felony levels is as follows:

FY 2002-03	\$9,035
FY 2003-04	\$94,395
FY 2004-05	\$204,839
FY 2005-06	\$294,200
FY 2006-07	\$388,752

Senate Bill 1416, Chapter 87

Housing Tax Credit Changes/Estate Tax Changes

Summary: Changes the state low-income housing tax credit program from one based on economic tiers established by the Department of Commerce to one based on household income and housing affordability established by the North Carolina Housing Finance Agency (HFA). The bill replaces the current credit that is based on a percentage of the federal tax credits with a credit based on a percentage of the project's basis. Briefly stated, the credit will be 30% of basis in low-income counties, 20% in moderate-income counties, and 10% in high-income counties. The bill removes the credit's mandatory five-year carry forward period and makes the tax credit refundable in one year. The bill gives a developer the choice of a taking a direct tax refund (if credit exceeds tax owed) or a loan from the HFA. It allows the HFA to receive a housing developer's state tax credit from the Department of Revenue and use the proceeds to issue a 30-year loan back to the developer.

The bill also removes the basis requirement for credit allocations approved in SB 181 in 2001. The 2001 General Assembly allowed a pass-through entity to allocate the state credit among any of its owners, as long as the amount of credit allocated did not exceed the owner's adjusted basis in the pass-through entity.

Other bill sections deal with technical changes in the low-income housing credit act and with the sharing of Department of Revenue information on housing credits with the Housing Finance Agency. Furthermore, the bill modifies the formula for calculating North Carolina estate tax on estates with property in more than one state.

Effective Date: The revised housing tax credit is effective on or after January 1, 2003, and is repealed effective January 1, 2006. The modification of the current credit applies to buildings that are allocated a federal credit before January 1, 2003, and for which a federal credit is first claimed for a taxable year beginning on or after January 1, 2002. The estate tax change is effective on or after January 1, 2002, and applies to the estates of decedents dying on or after that date. The remainder of the bill became effective upon becoming law on August 26, 2002.

Fiscal Effect: While the overall impact of the revised housing tax credit program is a savings to the state of \$109 million over the three-year life of the bill (expires in 2005), the short-term impact in FY 2004-05 and FY 2005-06 is negative. The current program awards tax credits that range from 25% to 75% of the federal credit, but the average state credit awarded in years 2000 and 2001 was 45%. The taxpayer takes the credit over five years. The revised housing tax credit is either a 10%, 20%, or 30% credit based on a county's income level. Based on the projects awarded in 2000 and 2001, the average credit would have been 20%. The revised tax credit or loan is taken in one year. The carryforward of previously awarded credits and the one-year payout of the revised credit cause an initial General Fund revenue loss. The projected revenue impacts are as follows:

FY 2004-05	- \$8 million
FY 2005-06	- \$9.8 million
FY 2006-07	\$2.9 million
FY 2007-08	\$24.5 million

The other sections of the bill cannot be estimated, but are assumed to have little or no impact on the General Fund.

Senate Bill 1455, Chapter 189
Strengthen Securities Fraud Enforcement Laws

- Summary:** Increases fees collected by the Securities Division of the Secretary of State. Sections 2 and 3 of the bill amend G.S. 78C-17(b) and G.S. 78C-17(b1) to increase the annual registration and notice filing fees for investment and adviser firms from \$200 to \$300. Section 4 amends G.S. 78A-31(a)(4) to increase the annual renewal fee for mutual company notice filings from \$200 to \$250. Section 6 of the bill prohibits the Department of Administration from buying from a vendor that is incorporated in a tax haven country such as the Cayman Islands or Bermuda.
- Effective Date:** The fee increases become effective on November 1, 2002. The vendor prohibition becomes effective on December 1, 2002.
- Fiscal Effect:** The estimated additional revenue is \$271,000 annually. This will affect approximately 1,100 investment and adviser firms, which equates to \$110,000 in additional revenue annually. This will impact 3,220 mutual fund companies and is expected to generate an additional \$161,000 annually. The funds will be used to hire three unsworn securities investigators in the Securities Division

House Bill 623, Chapter 161
State Energy Conservation Program

- Summary:** Amends the Guaranteed Energy Savings Contract law to make it applicable to State governmental units and thus requires State governmental units to use guaranteed energy savings contracts when feasible. Provides requirements for evaluation and reporting on applicable projects.
- Effective Date:** The legislation becomes effective on January 1, 2003, and applies to contracts entered into on or after that date.
- Fiscal Effect:** Estimates indicate that at a minimum, \$30 million in repairs and renovation projects could qualify for financing under a guaranteed energy savings contract. The maximum aggregate principal amount payable under the financing contracts cannot exceed \$50 million at any one time. A simulation assuming full utilization of the \$50 million authorization calculates the total interest payments over the life of the debt to be \$17.8 million, with total debt service requirements of \$67.8 million over a 13-year period. Although the energy savings are anticipated to be sufficient to pay the debt service costs, the possibility exists that the State would continue to have a limited liability.

Potential effects of requiring State governmental units to evaluate and authorize the use of guaranteed energy savings contracts are: increased resources required to evaluate the use of the contracts, increased resources required to process the procurement of third party financing and additional equipment and materials, and increased resources required to review plans and specifications. The Department of Administration's State Energy Office, Division of Purchase and Contract, and State Construction Office may be affected. However, without a better estimate on the use of the guaranteed energy savings contracts, the extent of the increased workload or additional positions required cannot be estimated.

House Bill 1187, Chapter 135 Clarification of Court Fees

Summary: Amends language implementing the dedicated court fee for access to civil justice/legal services for estate and special proceedings. Eliminates inconsistencies among GS 7A-307, 7A-308, and 7A-309 that resulted from the increases in fees in 7A-308 and 7A-309 in the 2002 Budget (SB 1115).

Effective Date: October 1, 2002.

Fiscal Effect: In implementing the dedicated court fee, the Administrative Office of the Courts earmarks the \$1.05 once per proceeding, rather than multiple times for proceedings that involve multiple filings. This clarification conforms the statutory language with existing practice so has no fiscal impact.

SB 1115 raised miscellaneous magistrate fees in 7A-309 by 100% and miscellaneous clerk fees in 7A-308 by 50%. Taking a deposition and hearing a petition for year's allowance to a surviving spouse or child are performed both by clerks and magistrates so the changes in SB 1115 resulted in different statutes (7A-307, 308 and 309) detailing different fees for the same function. In addition, fees for docketing a will from another county are covered both by 7A-307 and 7A-308 but at different amounts. This bill eliminates the inconsistencies by conforming all fees to the levels specified in 7A-307 as amended by SB 1115. Since these fees were assumed in the revenue projections that accompanied SB 1115, these clarifications have no additional fiscal impact. In addition, these functions are performed infrequently and generate little revenue.

House Bill 1520, Chapter 99
Extend Qualified Business Venture Tax Credit and State Ports Tax Credit

Summary: Extends the Qualified Business Venture Tax Credit and the State Ports Tax Credit from January 1, 2003, to January 1, 2004. The definition of Qualified Grantee Business is revised to replace specific named entities with general descriptions of entities that would encompass the North Carolina Biotechnology Center, MCNC, and the Kenan Institute for Engineering, Technology and Science. The new definition does not include the Technological Development Authority. The bill clarifies that the North Carolina State Ports Authority has fee setting authority for its services and provides the guidelines the Ports Authority is to use in setting its fees. The bill exempts the Ports Authority from the Administrative Procedure Act and requires the agency to report to the Joint Legislative Commission on Governmental Operations within 30 business days of establishing or increasing a fee.

Effective Date: When it became law on August 29, 2002.

Fiscal Effect: The amount of Qualified Business Venture tax credits given each year is capped at \$6 million. Requests for credits have exceeded the \$6 million cap for four out of the last five years. In fact, the amount of credit requested (\$19 million) in 2001 was approximately three times the amount of credit available. Given the recent investor interest in the credit program, it is likely that the \$6 million annual cost of the program will continue until its sunset in 2004. The General Fund fiscal impact occurs in FY 2003-04 because the investments made in 2003 will be awarded credits on returns filed in the spring of 2004. Credit demand will not be affected by the exclusion of firms receiving grants from the Technological Development Authority because most of these firms would qualify for the credit by applying for Qualified Business Venture status with the Secretary of State.

The State Ports Authority Tax Credit equals the amount of wharfage, handling, and throughput charges paid to the North Carolina State Ports Authority in the taxable year that exceeds the average amount of charges paid to the Authority for the current tax year and the two previous tax years. The credit is limited to 50% of the tax imposed on the taxpayer for the taxable year and has a five-year carryforward on excess credit. The maximum cumulative credit that one taxpayer may claim is \$2 million.

The average tax credit for the eight years 1994 through 2001 is \$739,288 and the median tax credit for the same period is approximately \$650,000. Using the median, extending the State Ports Authority tax credit will cost the state General Fund \$650,000 in tax year 2003 or FY 2003-04. The Ports Authority staff reports that no company has reached the \$2 million maximum cumulative credit and there are no companies close to the maximum amount of credits.

The section of the bill on State Ports Authority Fees will have no new fiscal impact. In practice, the State Ports Authority has been setting fees for the services they provide since 1945. This section simply provides the Ports Authority with explicit statutory fee setting authority.

House Bill 1665, Chapter 146 Interstate Air Couriers – Bill Lee

Summary: Rewrites the definition of interstate air courier hubs, ensuring that Fed Ex will qualify for the sales and property tax incentives associated with the 1998 incentives package. Provides for a seven-year investment period for an interstate air courier that has or is constructing a hub in North Carolina. Extends the sunset on the Piedmont Triad Airport Authority's exemption from the bidding laws from January 1, 2008 to January 1, 2010.

Effective Date: The air courier hub definition rewrite became effective October 1, 2002 and applies to sales made on or after that date. The bidding law exemption effective date change became effective on October 4, 2002. The remaining sections of the bill are effective for tax years beginning on or after January 1, 2002.

Fiscal Effect: The delay in construction of the Fed Ex facility means the incentives will be used at a later date than anticipated in the 1998 bill. Under current scheduling, the first year of the handling and storage incentive could be in FY 2005-06. The first two years of this incentive amount to a \$0.4 million General Fund revenue loss, and \$0.1 million loss per year thereafter. The sales tax exemption revenue loss of \$0.2 million per year for lubricants and repair parts will not occur until the facility is up and running. It is not possible to predict which years will see these impacts.

The extension of the Bill Lee Act sunset from 2006 to 2010 for interstate air couriers will allow Fed Ex and other eligible taxpayers to take Lee Act tax credits during the 2006-09 period. Fed Ex estimates indicate credits of \$2 million over a four-year period.

The wage standard modifications may allow some companies not currently eligible for the Bill Lee Act credits to become eligible; however, it was not possible to determine this impact.

House Bill 1670, Chapter 136 Subsidiary Dividend Changes

Summary:

Clarifies the expense attribution rules and limits the impact of the 2001 changes on expense deductibility. The new rules will apply for tax years 2001 and 2002, during which time the Revenue Laws Study Committee will review the issue and recommend modification to the system. The new expense attribution rules are as follows:

- The amount of related expenses that must be netted from deductible dividends is capped as follows:
 - Most companies – 15% of dividends
 - Bank holding companies – 20% of dividends
 - Electric power holding companies – 15% of total interest expenses
- The additional tax that a bank holding company and its related companies must pay as a result of the expense netting is subject to a maximum of \$11 million per corporate family.
- Bank holding company corporate families receive a tax credit beginning in 2003. For bank corporate families that reach the \$11 million cap, the credit is \$2 million. For other bank corporate families, the credit is equal to the amount of tax reduction that would result if bank holding companies were subject to a 15% cap rather than a 20% cap.

Effective Date:

The bill is effective for tax years beginning on or after January 1, 2001.

Fiscal Effect:

The 2001 session estimate of \$32.3 million of impact underestimated the effect of the indirect change in the expense attribution rules because the Department of Revenue analysis of tax returns did not include bank holding companies. If affected bank holding companies fully comply with the 2001 law and

administrative rules, an additional \$50 million will be collected during the 2002-03 fiscal year. The table below shows a comparison of the General Fund revenue anticipated under the original 2001 bill, the 2002 re-estimate, and the current proposal:

Additional General Fund Revenue (\$mil.)				
	<u>01-02</u>	<u>02-03</u>	<u>03-04</u>	<u>04-05</u>
2001 Legislation	30.8	32.3	33.6	34.5
2002 Re-estimate*	30.8	82.3	83.6	84.5
HB 1670**	30.8	82.3	59.9	62.9

* The actual impact per calendar year could be \$120 million or more but is heavily dependent on the compliance of taxpayers affected by the 2001 change. The amount shown is the figure used in the 2002-03 budget.

** The analysis indicates that a major portion of the unanticipated 2001 tax year impact will be paid in 2002 03. The same pattern is likely to occur under the annual impact discussed in the first footnote.

House Bill 1726, Chapter 173 UNC Nonappropriated Capital

Summary: Authorizes the construction and financing, without appropriations from the General Fund, of capital improvement projects at the constituent institutions of the University of North Carolina. With one exception (primarily related to timing), all projects are scheduled to begin construction in 2003 and are approved by the Board of Trustees of the campuses and the UNC Board of Governors.

Effective Date: When it becomes law.

Fiscal Effect: Seven projects in the bill were previously authorized by the 2000 General Assembly as part of the \$3.1 billion bond program in SB 912 (S.L. 2000, Chapter 3). Eight projects require a General Fund appropriation to fund annual operating expenses. UNC-Chapel Hill's School of Medicine Research Facilities is the first to require operating money in FY 2002-03. Three more facilities require

General Fund support in FY 2003-04, two more in FY 2004-05, and two more in FY 2005-06. The average operating cost for these eight buildings is \$11.9 million over the next twenty years. The actual fiscal impact of all the projects is as follows:

	(\$ millions)				
	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>
EXPENDITURES					
General Fund	.05	1.1	2.3	10.9	10.2
POSITIONS (cumulative)	3	22	50	167	167

House Bill 1734, Chapter 172
NC Economic Stimulus and Job Creation Act

Summary:

A. Bill Lee Act Changes – Makes various changes to the state tax incentives package. All changes are effective for tax years beginning on or after January 1, 2003.

- Restructures the investment tax credit rate and threshold by tier. The minimum investment thresholds in Tiers 4 and 5 are increased, and the credit percentages in Tiers 3 through 5 are lowered. This change is effective for business activities that occur on or after January 1, 2003, but not for those activities occurring on or after that date that are subject to a letter of commitment signed before the date.
- Prohibits taxpayers from receiving Bill Lee Act credits if the taxpayer has not resolved an overdue tax debt.
- Eliminates the wage test for the worker training credit.
- Eliminates the wage standard test for Tiers 1 and 2.
- Changes the wage test from a calendar year calculation to taxpayer's fiscal year.
- Allows a parcel of property partially located in a development zone to be considered entirely within the zone if all of the following conditions are met: 1) at least 50% of the parcel is located within the zone, 2) the parcel was in existence and under common ownership prior to the most recent population census, and 3) the parcel is a portion of land made up of one or more tracts or tax parcels of land that is surrounded by a continuous perimeter boundary.

B. Job Development Investment Grant Program

Overview

- Establishes the Job Development Investment Grant Program to be administered by the Economic Investment Committee.
- The Committee may enter into no more than 15 agreements during a calendar year.
- There is a \$10 million limit on the total annual grants entered into during a single calendar year.
- The authority to authorize job development investment grants becomes effective January 1, 2003. The program expires on January 1, 2005.

Grant Eligibility

- A business may apply to the Committee for a grant for any project that creates the minimum number of eligible positions as set out in the table below.

<u>Enterprise Tier Area Positions</u>	<u>Number of Eligible</u>
Tier One	10
Tier Two	10
Tier Three	10
Tier Four	20
Tier Five	20

- A project that consists solely of retail facilities or a professional or semiprofessional sports team or club is not eligible for a grant.
- The grants may not be used as venture capital funds, business incubator funds, business start-up funds, or to otherwise fund the initial capitalization of a business.
- Just like the Bill Lee Act, a business must provide health insurance for all of the full-time employees of the project for which the grant is made. In addition, the average wage for all jobs at the location with respect to which the grant is sought must meet the Lee Act wage standard.
- The grants may not be provided to taxpayers who have an overdue tax debt or who have had an OSHA violation during the preceding three years.

Economic Investment Committee

- The Economic Investment Committee will consist of the following members:
 - (1) The Secretary of Commerce.
 - (2) The Secretary of Revenue.
 - (3) The Director of the Office of State Budget and Management.
 - (4) One member appointed by General Assembly upon recommendation of the Speaker of House.
 - (5) One member appointed by General Assembly upon recommendation of the President Pro Tempore of Senate.
- The members of the Committee appointed by the General Assembly may not be members of the General Assembly and will serve a two-year term beginning upon appointment.
- The Committee may act only upon a decision of three (3) of its five (5) members.
- The Act establishes extensive reporting requirements for the Committee.

Business Eligibility

- Requirements for the application form on which businesses can apply for the grant are prescribed in the Act.
- The Committee will review applications by a business for grants on behalf of its related members if certain conditions are met.
- An application fee of \$5,000, is due at the time the application is filed.

Grant Awards

- The amount of the grant awarded in each case shall be a percentage of the state income tax withholdings of eligible positions. The percentage shall be no less than 10% and no more than 75% of the withholdings of the eligible positions for a period of years. The percentage used to determine the amount of the grant shall be based on criteria developed by the Committee after considering the following:
 - (1) The number of eligible positions to be created.
 - (2) The expected duration of those positions.
 - (3) The type of contribution the business can make to the long-term growth of the State's economy.
 - (4) The amount of other financial assistance the business will receive from the State for the project.

- (5) The total dollar investment the business is making in the project.
 - (6) Whether the project uses existing infrastructure and resources in the community.
 - (7) Whether the project is located in a development zone.
 - (8) The number of eligible positions that would be filled by residents of a development zone.
 - (9) The extent to which the project will mitigate unemployment in the state and the locality.
- The term of the grant will not exceed 12 years starting with the first year a grant is made.
 - The grant percentage may be based only on eligible positions created during the base years (first two years of the program) unless the Committee makes an explicit determination that the grant shall also be based on additional eligible positions created during the remainder of the term of the grant.
 - The percentage established in the agreement shall be reduced by 25% for any eligible position that is located in an enterprise tier 4 or 5 area.
 - The Act specifies the requirements for each community economic development agreement.
 - The Act specifies the reporting requirements for each grant award recipient, including taxation information and proof of the number of eligible positions that are created.
 - The annual disbursement of the grant will not occur until it is certified that the business has met the terms and conditions of the grant. If the business receiving a grant fails to meet or comply with any condition or requirement set forth in an agreement, the Committee may amend the agreement to reduce the amount of the grant or the term of the agreement and may terminate the agreement.

C. Film Incentives – Tightens the requirement to receive the Department of Commerce grant to an amount not to exceed fifteen percent of the production company expenditures for goods and services in the state during a calendar year, or \$200,000 per production. Limits the receipt of this grant to production companies that expend at least \$1,000,000 in the state. This part of the bill becomes effective when the bill becomes law.

D. Capital Planning Costs for Biopharmaceutical Training Center and Cancer Rehabilitation Treatment Center – Authorizes the State Board of Community Colleges, the Board of Governors of The University of North Carolina, and the North Carolina Biotechnology Center to initiate planning and development

of a new biopharmaceutical/bioprocess manufacturing training center to be centrally located and related training facilities to be located at various community colleges. The Board of Directors of the University of North Carolina Health Care System is authorized to initiate planning and development of a new cancer rehabilitation and treatment center to be located at the University of North Carolinas Hospitals at Chapel Hill. This part of the bill becomes effective when the bill becomes law.

Fiscal Effect:

A. Bill Lee Act – The changes will have the following net General Fund impact:

FY 2002-03	\$0
FY 2003-04	\$3.5 million
FY 2004-05	\$7.0 million
FY 2005-06	\$10.6 million
FY 2006-07	\$14.1 million

B. Job Development Investment Grant Program – The Economic Investment Committee will have broad discretion to negotiate the terms of an agreement, including the amount of the grant and the number of years for which the grant is provided. The program is limited to 15 projects per year, at a cost of \$10 million in grants per year. Finally, the maximum term of a grant is 12 years. The program sunsets after two years. Thus, the maximum grant amount that may be awarded during the 13 years the program is in effect is \$240 million.

C. Film Industry Incentives – No impact.

BILLS AFFECTING HIGHWAY FUND REVENUES

Senate Bill 1407, Chapter 108 Contracts to Reimburse Fuel Tax/Fuel Tax Change

- Summary:** Establishes a contract right regarding the timing of payments under contracts requiring reimbursement of federal fuel excise taxes. The party making reimbursements will not be required to tender payment for the taxes more than one business day before the day the second party is required to remit the taxes to the IRS. The procedures and security provisions for exercising this right are set out in the bill. The legislation also changes the penalty structure for improper use of a VIN number, shifts local governments from a motor fuels refund to an exemption, simplifies the penalty against transporters for transporting motor fuel without a shipping document or with a false or incomplete shipping document and delivering motor fuel to a destination state other than that shown on the shipping document, regulates motor fuel transported by a tank wagon after the fuel has left the terminal, and changes the penalty for buying or selling non-tax-paid motor fuel to a flat penalty of \$250 from the varying amounts based on gallons dispensed currently listed in the statutes.
- Effective Date:** The contracting provisions are effective September 1, 2002, for contracts entered into or renewed on or after that date, as well as all contracts in effect on that date that have no expiration date and are continuing contracts. Does not apply to a contract in effect on September 1, 2002, that, by its terms, will terminate on a later date. The remainder of the act becomes effective January 1, 2003.
- Fiscal Effect:** The legislation establishes the timing in which payments under contracts requiring reimbursements of the federal fuel excise taxes must be paid. The legislation provides that a contract subject to North Carolina law must afford the distributor the same election for the timing of federal tax remittance that the distributor has for state tax remittance. The proposed change will have no state General Fund impact. On the more technical side, the legislation adds a penalty for improper use of vehicle identification markers that are necessary under the International Fuel Tax Agreement (IFTA) for legal travel in the United States and Canada. Revenues

realized from this penalty are difficult to estimate because accountability efforts, enforcement practices, and auditing opportunities will change after the penalty is put into effect. However, Fiscal Research can establish a base estimate from current Division data of \$25,800. The legislation also clarifies that the motor fuel excise tax is due on motor fuel that is destined for delivery to another state and is then diverted and delivered in this state. This practice is in place today; however, suppliers are currently accounting for it in a variety of different ways on one of four motor fuel tax forms to reflect the new delivery state. Because of changes due to this legislation, auditing a motor carrier will become less difficult and the Division will potentially see a minimal increase in motor fuel tax revenues. The legislation also exempts local government entities from paying a motor fuel tax and thus necessitating the need for receiving a refund. The exemption will be slightly revenue positive for local governments because of the interest earned on funds that once went to fuel tax payments before being refunded. The proposal will save the Division from processing the quarterly refunds to local governments. Float will no longer be generated on the tax revenue paid by local governments before the state refunds the funds. Fiscal Research estimates the annual float loss would have been \$227,030 for fiscal year 2000-01 and \$252,860 for fiscal year 1999-00 (calculated by using half the fiscal year total at a 5.5% interest rate). The average annual estimated loss from the Highway Fund is approximately \$240,000. No estimate is possible on the remaining sections of the legislation, although the total impact is expected to be slight.

House Bill 644, Chapter 133 Toll Road and Bridge Authority Created

Summary: Creates North Carolina Turnpike Authority governed by a nine member Authority Board. The Authority has the power to design, construct and operate three Turnpike projects and to begin preliminary design work on three additional Turnpike projects. The Authority may issue bonds and may collect tolls and fees to pay for the projects.

Effective Date: When it became law on October 3, 2002.

Fiscal Effect: The Highway Trust Fund can be used for administrative costs of the Turnpike Authority. The Authority's estimated staff cost is \$230,000 each year for the first two fiscal years and \$340,000 each year thereafter. Beginning in FY 2004-05, the Highway Trust

Fund will be used to fund the design, preliminary engineering, environmental impact statements, and right of way acquisition for the first two projects. The estimated costs is \$1.5 million in FY 2004-05, \$11.5 million in FY 2005-06 and \$10.5 million in FY 2006-07.

House Bill 1745, Chapter 134 Special License Plates

Summary: Removes the 300 plate requirement for WWII veteran and Korean conflict special license plates. The bill modifies the logo on the Rocky Mountain Elk Foundation special plate. The bill approves the additional of the following special plates: Aviation Maintenance Technician, NC Agribusiness, and Sweet Potato.

Effective Date: When it became law on October 3, 2002.

Fiscal Effect: The additional \$10 charged for the special plate is deposited in to the Special Registration Plate Account and is sufficient to cover program expenses. There is no estimate on the number of persons that will apply for these special plates. There is no impact on the change in the Rocky Mountain Elk plate.

BILLS AFFECTING SPECIAL REVENUE FUNDS

Senate Bill 832, Chapter 181 Small Business Contractor/Initiative Funds

- Summary:** Creates an 11-member North Carolina Small Business Contractor Authority in the Department of Commerce to provide loan guarantees, loans, and surety bonds to small businesses. Assistance will be provided through the Small Business Contract Financing Fund and the Small Business Surety Bond Fund.
- Effective Date:** January 1, 2003 and applies to offenses committed or causes of action arising on or after that date. The act expires June 30, 2006.
- Fiscal Effect:** The Small Business Contract Financing Fund and the Small Business Surety Bond Fund are not funded in the bill. No General Fund appropriation was made to the two funds in SB 1115, Modify Appropriations Act of 2001. The two Small Business Funds can accept “any other moneys made available to the fund,” but no sources have yet been identified. Once the Funds are capitalized, the Authority can charge Fund applicants fees for services. Since the bill is permissive on charging fees and the Fund amounts are unknown, no estimate can be made on the revenue generated by these Funds. The Class 2 misdemeanor in the bill is a community sentence offense punishable by up to 60 days in the county jail. The jail costs of \$40 a day would be paid by the county. No estimate can be made on how many offenses might occur.

Senate Bill 1115, Chapter 126 Modify Appropriations Act of 2001

- Sect. 30E Sets the insurance regulatory charge at 6.5%. This is the same amount set in the previous year. This fee is assessed against the 1.9% premiums tax paid by insurers or against the presumed premiums tax that would be paid by organization not currently taxed. Applying the 6.5% regulatory fee to the \$384.62 million base would generate \$25 million in regulatory fee revenue.

Sect. 30F Sets the fees for regulation by the North Carolina Utilities Commission (“Commission”) at 0.1%, the same as the current rate. Revenue from this fee, which is assessed against regulated public utilities, is used to support the operations of both the Commission and the Public Staff. Based on estimated FY 2002-03 jurisdictional revenues of \$10,854,768,332, the regulatory fee will produce \$11,700,238. For the same period, the Commission estimates that the combined operations of the Commission and Public Staff will require total expenditures of not less than \$11,695,970. The net change in the Commission’s Accumulated Fee Margin Reserve Account is therefore approximately \$4,268. The estimated balance in this account as of June 30, 2003, is \$4,941,393. This represents approximately five months of operating reserve. This section also sets the public utility regulatory fee to be paid by the North Carolina Electric Membership Corporation for the 2002-03 fiscal year at \$200,000.

House Bill 1578, Chapter 10 Remove Scrap Tire Tax Sunset

Summary: Removes the June 30, 2002, expiration date for the sales tax imposed on new tires sold in North Carolina.

Effective Date: When it became law in June 27, 2002.

Fiscal Effect: Under existing law, the scrap tire disposal tax is based on the bead diameter of the new tire sold or purchased. The tax is 2% of the sales price for a tire with a bead diameter of less than 20 inches and 1% for a tire with a bead diameter of at least 20 inches. Under current law, the tax reverts to 1% on all tires as of June 30, 2002. The bill removes the sunset on the current tax structure, thus keeping the 2% and 1% rates.

Since the 2% tax rate for smaller tires would have been reduced to 1% on June 30, 2002, passage of the bill increased tax revenue beginning in FY 2002-03. In FY 1999-00, the 2% tax generated \$9.1 million or 87% of the \$10.5 million total revenue collected. Since 1996, tax revenue has grown approximately 5% a year. The chart below uses a 5% annual growth rate and divides the revenue between the 2% (87%) and 1% (13%) tax rates. The first column on the chart below shows the total amount of revenue generated. The amount in the far right column of the chart below shows the additional revenue generated by removing the sunset (i.e., keeping the 2% tax instead of reducing it to 1%).

	Projected Revenue	Less Than 20 inches 2%	At Least 20 inches 1%	Less Than 20 inches 1%
FY 02-03	\$12,303,706	\$10,704,224	\$1,599,482	\$5,352,112
FY 03-04	12,918,891	11,239,435	1,679,456	5,619,718
FY 04-05	13,564,836	11,801,407	1,763,429	5,900,704
FY 05-06	14,243,078	12,391,478	1,851,600	6,195,739
FY 06-07	14,955,232	13,011,052	1,944,180	6,505,526

The allocation of the Scrap Tire Disposal Tax is set out in GS 105-187.19. Before distributing any of the tax proceeds, the Department of Revenue is allowed to retain up to \$225,000 a year for the administrative expenses related to cost of collection of the taxes. The Secretary of Revenue then distributes the net tax proceeds on a quarterly basis as follows:

Five percent to the Solid Waste Management Trust Fund administered by the Department of Environment and Natural Resources (DENR), for waste management grants and technical assistance programs.

Twenty-seven percent to the Scrap Tire Disposal Account, administered by DENR, for grants to local governments to assist in disposing of scrap tires, for grants to encourage the use of processed scrap tire materials and for the clean up of nuisance scrap tire collection sites.

The remaining 68 percent is distributed among the counties on a per capita basis to fund local tire disposal programs.

Since the 2% tax rate for smaller tires would have been reduced to 1% on June 30, 2002, passage of this bill increased the revenue beginning in FY 2002-03. This increase in tax proceeds is allocated and expended according to statute. The chart below shows how much each of the beneficiaries listed above will receive.

Fiscal Year	Solid Waste	Scrap Tire	Counties
2002-03	\$267,606	\$1,445,070	\$3,639,436
2003-04	280,986	1,517,324	3,821,408
2004-05	295,035	1,593,190	4,012,479
2005-06	309,787	1,672,850	4,213,103
2006-07	325,276	1,756,492	4,423,758

BILLS AFFECTING LOCAL GOVERNMENT REVENUE

Senate Bill 1115, Chapter 126 Modify Appropriations Act of 2001

- 29A.15 Increases the Department of Environment and Natural Resources (DENR) annual food and lodging facilities fee from \$25 to \$50. 1/3 of the fees are used to support the state food and lodging program, with two-thirds of the fees distributed to local food and lodging programs.

Using an average of 26,600 food and lodging facilities, it is estimated that approximately \$665,000 in additional revenue will be raised annually from the fee increase. Of this total amount, \$221,667 will remain at the state level and \$443,333 will be distributed to local programs at the county level in each of next five years. In FY 2002-03, these totals will be reduced 25% due to the October 1 effective date.

- 29A.16 Establishes two new fees: 1) a \$200 fee that DENR may charge for plan review of prototype franchised or chain facilities for food establishments subject to food and lodging regulation and 2) a fee not to exceed \$200 that local health departments may charge for plan review of local restaurants that are not prototype franchised or chain facilities.

It is estimated that the Division will review an average of 400 plans annually in each of the next five years. At \$200, the plan review fee will generate \$80,000 at the state level. The additional revenue will be \$60,000 in FY 2002-03 due to the October 1 effective date.

The Division estimates that approximately 1,000 plans are reviewed at the local level on an annual basis. Since the fee language is permissive and allows local health departments to charge up to \$200, no fiscal estimate is possible.

Senate Bill 1161, Chapter 108 Amend Use Value Statutes and Other Tax Laws

- Summary:** Contains four primary components. The first component addresses the property tax treatment of agricultural and horticultural property. Under current law, farmers are charged property taxes based on the land value for agricultural and horticultural purposes, rather than the full market price. In general, this value is lower than the market price because it does not reflect any potential

alternative uses for the property (i.e. new homes, commercial development, or industrial facilities). Under the current system the adjusted value for agriculture is based on the market price for corn and soybeans, as well as the cost of producing corn and soybeans. The legislation modifies both the membership and duties of the Use Value Advisory Board. The Board is now charged with determining expected net incomes per acre for agricultural and horticultural land based on cash rental rates. Thus, this section of the legislation changes the tax basis for both types of land to cash rents. The bill also requires that the Use Value Advisory Board annually select a capitalization rate for converting incomes into values. This capitalization rate must be between 6% and 7%. It also limits the maximum value for agricultural land to \$1,200 per acre. Several other technical changes are also included.

The second component of the legislation relates to conservation easements. A conservation easement limits the ways a particular piece of land can be used, generally to limit development. As such, a conservation easement has the potential to lessen the “highest and best” use of the property, and therefore limit its value for property tax purposes. Under current law, when agricultural or forestland is placed under a conservation easement, and continues to be actively managed, no change in tax value or roll back of taxes should occur. However, if land in the use value program is placed under an easement and is no longer actively managed, the county will collect a roll back of deferred taxes, and will reassess the value of the property. This section of the bill removes the rollback when the land is placed under an easement and is removed from the use value program. It also insures that that particular parcel will continue to be taxed as agricultural or forest land as long as the easement is in place, regardless of the actual use of the land.

The third component relates to the Revenue Laws Study Committee. In particular, the bill creates a property tax subcommittee of the Revenue Laws Study Committee. This subcommittee will include six (6) members, and is charged with studying, examining, and (if necessary) recommending changes to the property tax system.

Finally, the legislation addresses several technical issues considered previously by Revenue Laws. Specifically, the bill clarifies that equipment used to dispense plant growth inhibitors is not exempt from sales tax. It also changes the due date for quarterly sales tax returns from the 15th of the month to the last day of the month, following the end of the quarter. It changes the underpayment penalty calculation for semimonthly taxpayers to conform to the Streamlined Sales Tax Project, and clarifies the use of sales and use tax exemption certificates.

Effective Date: The farm use and conservation easement provisions become effective July 1, 2003 and apply to taxes levied on or after that date. The sales tax payment date change and the underpayment provisions become effective October 1, 2002. The balance is effective when it becomes law.

Fiscal Effect: Three portions of the bill have a potential fiscal impact. In terms of farm use, the Department of Revenue and the Agricultural Extension Service twice surveyed farmers to determine the impact of the proposal. The most recent survey indicates that a 6% cap rate under a cash rent system, 64 counties would gain revenue, while 32 would lose. At 7% the numbers move to 40 counties that will gain and 55 that will lose revenue. (The Use Value Advisory Board is charged with choosing a rate between 6% and 7%). The average rent to value ratio in this survey was 7.57%. A review of the newer revaluations suggests an average rent to value ratio of 6% or less. However, because no data is available on the number of acres in the program, no overall estimate of the fiscal impact is possible.

The second potential fiscal impact relates to conservation easements. Under current law, if land no longer used for the purpose for which it receives special tax treatment under the use value program, the owner of that property is subject to “roll back”.

This essentially means the owner has to pay the difference between the tax on the property if it would have been valued at “market” and the tax on the property under the use value program, for the past three years. Under this legislation, the property owner would no longer be subject to the roll back if the land was subject to a conservation easement, irregardless of its use. Statewide the total revenue from “roll back” was approximately \$3.1 million for the most recent fiscal year. However, this includes “roll back” for all reasons, not just conservation. Unfortunately, no more specific data is available. Additionally, this bill continues to hold land that was under the use value program in the program as long as the property is under a conservation easement. This means that property that was once in active agricultural production would continue to be treated as if it was in production, regardless of how the land is now used, as long as it is subject to a conservation easement. While this will likely decrease property taxes, no data is available from the assessors or other states to generate an exact estimate.

The final potential impact relates to the administrative changes in the bill. The provision related to the sales taxes on plant inhibitor equipment is likely to create a small but undefined revenue gain. The change in sales tax payment dates will result in a small revenue loss due to the loss of the float, but no exact estimate is possible. The remaining items will all result in a slight but undefined loss or no loss to the General Fund.

Senate Bill 1253, Chapter 104
Amend Pollution Abatement Tax Exclusion

- Summary:** Excludes certain animal waste management systems from qualifying for special property classification and exclusion from the tax base. Specifies the criteria on which the Environmental Management Commission can exempt an animal waste management system from property taxes.
- Effective Date:** The act became effective on September 12, 2002. The act applies to taxes imposed for taxable years beginning on or after July 1, 2002.
- Fiscal Effect:** The state General Fund is not affected. The legislation will affect revenue from the property tax base in each county. There are currently no exclusions that have been granted to facilities, thus there are no changes in current county revenues. However, had the legislation not been enacted, potential revenue losses would have been split among counties based on the number of animal waste management systems maintained in each county. Potential losses were estimated using the total property value of the swine, poultry and turkey facilities in a county. The potential property tax revenue losses statewide could have totaled approximately \$9.9 million per fiscal year.

Senate Bill 1292, Chapter 123
Local Sales Tax Acceleration

- Summary:** Allows county governments to levy an additional ½ cent of local sales tax seven months earlier than existing law. In 2001, the General Assembly approved a sales tax “swap”. Under this proposal, the state levies an additional ½ cent sales tax, bringing the state rate to 4.5%, and the total rate to 6.5%. This additional ½ cent sunsets on June 30, 2003. Starting July 1, 2003, county commissioners were authorized to levy an additional ½ cent at the county level, moving the local rate to 2.5% but holding the

combined rate at 6.5%. In addition, in exchange for giving local governments the authority to levy additional sales taxes, the state would retain the local government reimbursements for previous tax law changes, effective July 1, 2003.

In counties that choose to levy the tax in December 2002, the combined state and local sales tax rate will be 7.0% (4.5% state, 2.5% local) until the state sunsets its recently enacted ½ cent in July 2003. The rate in Mecklenburg County will be 7.5% for the same period, assuming Mecklenburg chooses to levy the tax. (Local government reimbursements were eliminated July 1, 2002 in the budget bill, S.B. 1115). This tax does not apply to food. The legislation also makes conforming changes to the language to be used on the ballot, should county commissioners choose to place the local sales tax change before the public for a vote (a vote of the people is not required). It also shortens the notice local governments must give to the Department of Revenue of their intent to levy the additional tax to thirty (30) days, provided the tax is to become effective before January 1, 2003, allows the Department of Revenue to use up to \$275,000 of local sales tax revenue to fund implementation of the new tax, and exempts Department of Revenue from standard contract and bid requirements, but only as it relates to items needed to administer the additional local option sales tax. The legislation also clarifies that retailers will not be held liable for the additional taxes if, through inadvertent error, the tax was not collected. This dispensation only applies to the taxes levied December 1, and requires that the retailer demonstrate to the Secretary of Revenue the reason for the error. Finally, the legislation limits the public notice requirement for the tax increase to 48 hours, but only if the tax becomes effective before January 1, 2003.

Effective Date: While the bill is effective when law, local units cannot levy the sales tax itself until December 1, 2002.

Fiscal Effect: Fiscal Research believes that in FY 2001-02, each penny of local sales tax generated \$716.8 million in revenue. (This estimate does not include food). Using a growth rate of 1.2% suggests the following non-food, sales tax revenue stream for FY 2002-03:

<u>Fiscal Year</u>	<u>Revenue from 1 Cent</u>	<u>Revenue from 1/2 Cent</u>
2002-03	\$725.40	\$362.70

Once adjustments are made for the December effective date, the total estimated statewide potential revenue available to local governments from this additional ½ cent is approximately \$188.1 million. However, since the language is permissive and counties can decide to enact the tax at any time, no exact fiscal estimate is possible on this portion of the bill.

NOTE: The estimated local revenue from the new sales tax shown above may be lower than the total of revenue estimates provided by the state's local governments. According to the Local Government Commission's interpretation of the new GASB Statements #33 and #36, North Carolina local units are to use full accrual accounting to recognize revenues. This means that sales made on June 30, 2003 are to be counted as FY 2002-03 local revenue. However, the State of North Carolina, per the Controller and longstanding state policy, continues to utilize cash accounting standards. Under this state standard, late June sales would not be including in FY 2002-03 revenue estimates. Therefore, Fiscal Research will continue to utilize cash accounting when estimating local revenues.

Senate Bill 1407, Chapter 108 Contracts to Reimburse Fuel Tax/Fuel Tax Change

Summary: Deals primarily with technical changes to the motor fuels law and shifts local governments from a refund to an exemption of their motor fuel tax payments.

Effective Date: Effective January 1, 2003.

Fiscal Effect: The following table shows the motor fuel refunds issues in recent years to local governments.

Fiscal Year	1999-2000		2000-2001	
	City	County	City	County
Quarter 1	\$1,489,630.54	\$754,584.10	\$1,575,095.15	\$916,539.92
Quarter 2	\$1,551,601.65	\$829,986.70	\$1,080,506.83	\$748,063.84
Quarter 3	\$1,426,540.97	\$712,121.66	\$2,160,325.59	\$944,865.85
Quarter 4	\$1,644,436.73	\$786,002.66	\$469,891.98	\$360,380.05
Subtotal	\$6,112,209.89	\$3,082,695.12	\$5,285,819.55	\$2,969,849.66
FY Total	\$9,194,905.01		\$8,255,669.21	

The exemption will be slightly revenue positive for local governments because of the interest earned on funds that once went to fuel tax payments before being refunded. Fiscal Research estimates the annual float gain for locals would have been \$227,030 for fiscal year 2000-01 and \$252,860 for fiscal year 1999-00 (calculated by using half the fiscal year total at a 5.5% interest rate).

House Bill 1490, Chapter 120

Secure Local Revenues

Summary:

Attempts to limit the Governor's ability to withhold the local portion of revenues shared with cities and counties by declaring these funds local revenue, not state appropriations. The bill, as ratified, specifically mentions beer and wine taxes, the franchise tax on electricity, the tax on piped natural gas, telecommunication taxes, the Highway Fund and Highway Trust Fund revenues allocated as Powell Bill funds, and electricity funds. The bill also, through intent language, indicates that local governments must be able to rely on the funds and local revenue sources noted above, and declares that it is the intention of the General Assembly that these funds not be reduced unless the governor has exhausted all other sources of revenue for the state. It also explicitly recognizes that the state is prohibited from taking local revenues, and bars local units from attempting to collect the utility franchise and privilege taxes if those utilities have paid the taxes to the Secretary of Revenue. (S.B. 1217 later clarified that this bill looks only prospectively and does not address past actions or pending lawsuits).

The bill follows actions in the spring of 2002 to hold these funds.

Effective Date:

When it became law on September 24, 2002.

Fiscal Effect:

This legislation has no direct impact on the budgets passed by the General Assembly, as these shared revenues have not been used in the legislative process for state expenditures. However, the legislation could limit the options available to the Governor. Because of the lack of clarity about what actions will be required of the Governor in future years, and the impact this particular legislation will have on the individual's decisions, no fiscal estimate is possible on the impact of the legislation.

House Bill 1521, Chapter 16
Conform Mobile Telecommunication Sourcing

- Summary:** Defines "Sourcing" as the determination of the jurisdiction within which a transaction is considered to take place for tax purposes. Because of the complexity of identifying the source of mobile telecommunications, federal legislation was recently passed that sources mobile telecommunications transactions at the place of primary use, which is the same as the service address – the residential address or business premises of the purchaser. The legislation conforms North Carolina's sourcing of mobile telecommunications to the federal Mobile Telecommunications Sourcing Act and codifies the sourcing principles adopted by the Streamlined Sales Tax Project and the 27 implementing states.
- Effective Date:** When it became law on July 11, 2002.
- Fiscal Effect:** While this legislation may redistribute tax revenue between jurisdictions because of changes in sourcing, the total amount available to local governments will not change.

House Bill 1523, Chapter 156
Amend Property Tax Laws

- Summary:** Makes several changes to property tax laws. First, it increases the minimum charge for a returned property tax check to \$25.00 from the current \$1.00, and allows the assessor to waive the charge. It modifies the time limits and procedures for filing an appeal, and authorizes the local boards of equalization and review to meet after adjournment to discuss property tax issues. It changes the effective date of several property tax changes made last year as they relate to manufactured homes, and authorizes the Department of Revenue to collect a \$15 collection assistance fee on each local debt collected through the Setoff Debt Collection program.
- Effective Date:** The returned check fee and waiver of penalty provisions are effective when law. The manufactured home provision is effective June 30, 2003. The local government debt setoff is effective January 1, 2003. The changes in the appeal process and the board of equalization provisions are effective July 1, 2003.
- Fiscal Effect:** Two provisions in the bill are likely to have a fiscal impact. Increasing the minimum charge for a returned check will likely increase local fee revenues. However, granting the assessor the authority to waive the fee will offset some of the increase. The

exact amount of this revenue change is unknown. The second potential impact relates to the debt setoff program. The proposal authorizes the Department of Revenue to collect a \$15 collection fee from the delinquent payer, and requires the Department notify the taxpayers about the charge. The proposal will reduce the cost of debt collection for local governments and will likely increase program usage. However, no firm estimate is available on the total financial impact for local governments.

House Bill 1578, Chapter 10
Remove Scrap Tire Tax Sunset

Summary: Removes the June 30, 2002, expiration date for the sales tax imposed on new tires sold in North Carolina.

Effective Date: When it became law on June 27, 2002.

Fiscal Effect: (See Special Revenue Fund section for description of the bill).

Since the 2% tax rate for smaller tires would have been reduced to 1% on June 30, 2002, passage of this bill increased the revenue beginning in FY 2002-03. This increase in tax proceeds is allocated and expended according to GS 105-187.19. Counties receive 68 percent of the funds and distribute the proceeds among the counties on a per capita basis to fund local tire disposal programs.

The chart below shows a positive fiscal impact on counties.

Fiscal Year	Counties
2002-03	\$3,639,436
2003-04	3,821,408
2004-05	4,012,479
2005-06	4,213,103
2006-07	4,423,758

APPENDIX

TOTAL STATE BUDGET BY SOURCE OF FUNDS

(\$ In Millions - Excludes General Obligation Bonds)

Fiscal Year	General Fund*	Federal Revenue Sharing	Highway Fund/Trust	Federal Receipts	Other Receipts	Total
1970-71	961.4		304.7	335.1	171.2	1,772.4
1971-72	1,198.0		344.8	476.7	218.6	2,238.1
1972-73	1,173.6		352.4	491.7	199.5	2,217.2
1973-74	1,607.3	105.2	381.7	519.3	264.4	2,877.9
1974-75	1,734.6	57.2	392.7	648.6	247.8	3,080.9
1975-76	1,733.2	51.7	422.8	747.6	292.3	3,247.6
1976-77	1,922.4	67.1	414.6	776.8	282.9	3,463.8
1977-78	2,158.0	66.9	433.1	967.9	351.4	3,977.3
1978-79	2,515.4	62.5	461.8	1,042.7	328.5	4,410.9
1979-80	2,787.7	57.0	497.6	1,240.5	448.8	5,031.6
1980-81	3,216.4	28.4	506.1	1,296.5	395.7	5,443.1
1981-82	3,435.0		535.0	1,312.7	470.0	5,752.7
1982-83	3,623.6		555.6	1,322.3	485.9	5,987.4
1983-84	3,857.6		664.0	1,597.4	584.9	6,703.9
1984-85	4,516.6		713.6	1,655.8	551.7	7,437.7
1985-86	5,130.5		735.5	1,838.1	696.4	8,400.5
1986-87	5,516.0		839.4	1,887.4	698.3	8,941.1
1987-88	5,977.9		882.4	2,026.8	837.1	9,724.2
1988-89	6,586.1		918.7	2,117.4	788.2	10,410.4
1989-90	7,360.0		1,236.6	2,366.8	1,033.0	11,996.4
1990-91	8,149.0		1,223.8	2,617.0	949.4	12,939.2
1991-92	7,983.0		1,323.3	3,127.8	1,176.3	13,610.4
1992-93	8,209.5		1,318.4	3,617.5	1,363.2	14,508.6
1993-94	9,317.9		1,363.3	4,516.4	1,544.0	16,741.6
1994-95	10,268.4		1,480.9	4,639.9	1,580.7	17,969.9
1995-96	10,031.6		1,553.4	4,664.4	1,783.3	18,032.7
1996-97	10,603.0		1,622.5	4,870.3	1,962.7	19,058.5
1997-98	11,565.3		1,775.5	5,220.4	1,863.6	20,424.8
1998-99	13,111.6		1,807.6	5,465.3	1,797.1	22,181.6
1999-00	14,237.7		1,878.8	5,951.1	1,898.8	23,966.4
2000-01	14,050.1		2,058.8	6,134.4	1,958.4	24,201.7
2001-02	14,530.3		2,121.1	7,066.3	2,243.2	25,960.9
2002-03	14,351.8		1,900.0	7,676.5	2,371.0	26,299.4

*General Fund totals reflect amounts originally authorized by the General Assembly.

Source: Office of State Budget and Management

Total General Fund Authorizations as Adjusted to Determine Total Current Operations

			Less: Adjustments to Total Authorizations								
Fiscal Year	Total Authorizations	% Change vs. Prior Year	Capital Improvements		Rainy Day/ Savings Reserve		Local Govern- ment Shared		Total Adjustments	Total Current Operations	% Change vs. Prior Year
			Direct	Earmarking	Direct						
			Appropriations Includes FRS	of Unreserved Credit Balance	Appropriations	Revenue	Other				
1970-1971	981,127,808			0	0	0	0	0	981,127,808		
1971-1972	1,138,180,763	16.01%	64,891,192	0	0	0	0	64,891,192	1,073,289,571	9.39%	
1972-1973	1,187,443,130	4.33%		0	0	0	0	0	1,187,443,130	10.64%	
1973-1974	1,712,516,853	44.22%	191,822,446	0	0	0	0	191,822,446	1,520,694,407	28.06%	
1974-1975	1,791,783,009	4.63%	93,365,337	0	0	0	0	93,365,337	1,698,417,672	11.69%	
1975-1976	1,766,321,933	-1.42%	28,662,437	0	0	0	0	28,662,437	1,737,659,496	2.31%	
1976-1977	2,008,072,901	13.69%	45,096,295	0	0	0	0	45,096,295	1,962,976,606	12.97%	
1977-1978	2,224,738,340	10.79%	31,332,626	0	0	0	0	31,332,626	2,193,405,714	11.74%	
1978-1979	2,578,019,913	15.88%	126,008,818	0	0	0	0	126,008,818	2,452,011,095	11.79%	
1979-1980	2,835,367,553	9.98%	84,378,719	0	0	0	0	84,378,719	2,750,988,834	12.19%	
1980-1981	3,255,104,769	14.80%	104,141,290	0	0	0	0	104,141,290	3,150,963,479	14.54%	
1981-1982	3,432,556,046	5.45%	30,861,142	0	0	0	0	30,861,142	3,401,694,904	7.96%	
1982-1983	3,626,915,248	5.66%	65,772,358	0	0	0	0	65,772,358	3,561,142,890	4.69%	
1983-1984	3,857,564,088	6.36%	59,782,244	0	0	0	25,800,000	A 85,582,244	3,771,981,844	5.92%	
1984-1985	4,532,103,411	17.49%	212,535,238	0	0	0	0	212,535,238	4,319,568,173	14.52%	
1985-1986	5,130,563,978	13.20%	253,503,234	0	0	0	0	253,503,234	4,877,060,744	12.91%	
1986-1987	5,531,345,878	7.81%	297,667,245	0	0	0	0	297,667,245	5,233,678,633	7.31%	
1987-1988	5,978,265,764	8.08%	173,020,035	0	0	0	0	173,020,035	5,805,245,729	10.92%	
1988-1989	6,561,392,895	9.75%	258,659,030	0	0	0	0	258,659,030	6,302,733,865	8.57%	
1989-1990	7,266,680,455	10.75%	150,092,738	0	0	233,569,324	0	383,662,062	6,883,018,393	9.21%	
1990-1991	7,973,824,802	9.73%	106,400,195	0	141,000,000	476,793,897	0	724,194,092	7,249,630,710	5.33%	
1991-1992	7,825,732,308	-1.86%	0	0	400,000	468,231,174	B 0	468,631,174	7,357,101,134	1.48%	
1992-1993	8,209,537,916	4.90%	95,205,570	0	0	232,424,154	C 0	327,629,724	7,881,908,192	7.13%	
1993-1994	9,317,906,610	13.50%	135,371,704	57,000,000	0	236,824,154	0	429,195,858	8,888,710,752	12.77%	
1994-1995	10,268,424,627	10.20%	189,391,450	60,000,000	66,700,000	236,824,154	0	552,915,604	9,715,509,023	9.30%	
1995-1996	10,031,584,878	-2.31%	113,522,500	125,000,000	0	0	0	238,522,500	9,793,062,378	0.80%	
1996-1997	10,654,778,229	E 6.21%	157,267,000	0	C 0	0	47,100,000	F 204,367,000	10,450,411,229	6.71%	
1997-1998	11,635,189,516	G 9.20%	152,991,120	174,260,955	0	0	49,354,893	H 376,606,968	11,258,582,548	7.73%	

Total General Fund Authorizations as Adjusted to Determine Total Current Operations

			Less: Adjustments to Total Authorizations										
			Capital Improvements		Rainy Day/			Total Adjustments					
			Direct	Earmarking	Savings Reserve	Local Govern-							
			Appropriations	of Unreserved	Direct	ment Shared							
Fiscal Year	Total Authorizations	% Change vs. Prior Year	Includes FRS	Credit Balance	Appropriations	Revenue	Other		Total Current Operations	% Change vs. Prior Year			
1998-1999	13,111,623,293	12.69%	192,199,500	145,000,000	0	0	447,397,819	I	784,597,319	12,327,025,974	9.49%		
1999-2000	14,237,669,453	8.59%	77,059,168	90,000,000	J	0	629,000,000	K	796,059,168	13,441,610,285	9.04%		
2000-2001	14,383,516,932	1.02%	114,974,172	L	0	120,000,000	0	270,000,000	M	504,974,172	13,878,542,760	N	3.25%
2001-2002	14,863,745,843	3.34%	157,936,000		0	0	0	0	O	157,936,000	14,705,809,843	N	5.96%
2002-2003	14,351,822,876	-3.44%	31,158,000		0	0	0	0		31,158,000	14,320,664,876		-2.62%

Notes:

- A \$25.8 million transferred to the Highway Fund
- B Amount shown is net after transfer of \$6.6 million to EHNR operating budget
- C Amount shown is net after transfer of \$4.4 million to EHNR operating budget
- D Repairs/Renovations of \$130 Million were funded directly from earmarked reserve as was \$39,519,567 additional items by transferring funds appropriated from the General Fund for the Fiscal Year 1995-96 to a capital improvement reserve
- E Adjusted to reflect supplemental appropriation for Community Colleges for 1996-97 as appropriated by the 1997 Session
- F \$47.1 million for the Clean Water Management Trust Fund and Wetlands Restoration Fund earmarked from year-end credit balance
- G Adjusted to reflect Year 2000 Conversion appropriation made for 1997-98 by 1998 Session
- H \$49.4 million for the Clean Water Management Trust Fund earmarked from year-end credit balance
- I Includes \$400 million for Bailey/Emory/Patton Reserve and \$47.4 million for Clean Water Management Trust Fund earmarked from year-end credit balance
- J Originally \$150 million but \$60 million was transferred to the Hurricane Floyd Disaster Relief Fund; this redirection of funds does not affect current operations amount
- K Includes \$399 million for Bailey/Emory/Patton Reserve; \$200 million for Intangibles Settlement Reserve; and \$30 million for Clean Water Management Trust Fund earmarked from year-end credit balance
- L Includes \$100 million direct appropriation to R & R, due to insufficient year-end credit balance for earmarking
- M Includes \$240 million transfer to the Reserve for Intangibles Tax Settlement effective June 30, 2000 and \$30 million direct appropriation to Clean Water Trust Fund, due to insufficient year-end credit balance for earmarking
- N Amounts for the 2000-2001 and 2001-2002 fiscal years differ from amounts published in the Overview document for the 2000 and 2001 Sessions. The amounts shown for "Total Authorizations" and "Total Current Operations" have been revised.
- O Effective July 1, 2001, the General Assembly established an annual General Fund appropriation for the Clean Water Management Trust Fund; as such funding for this program is included in the Total Current Operations amount for the 2001-02 and all subsequent fiscal years.

Earmarking of the Credit Balance by Fiscal Year
(Includes Earmarkings / Transfers / Appropriations Directly from Year End Balance)

		Statutory Earmarkings, Transfers and Appropriations of Year-end Credit Balance								Unreserved
Fiscal	June 30th	Savings	Repairs &	Clean Water	Appropriation					Credit Balance
Year	Credit Balance	Reserve	Renovations	Management	Tax Relief/	Other	of		for Subsequent FY	
	(Actual)	Account	Account	Trust Fund	M Tax Refunds	Earmarking	Reversions	Total	Beginning July 1st	
1991-92	164,773,001	41,193,253	0	0	0	0	0	41,193,253	123,579,748	
1992-93	537,330,259	134,332,565	57,000,000	0	0	0	0	191,332,565	345,997,694	
1993-94	622,712,983	155,678,246	60,000,000	0	0	0	0	215,678,246	407,034,737	
1994-95	680,022,275	213,005,569 A	146,305,569 B	0	28,100,000 C		0	387,411,138	292,611,137	
1995-96	726,581,754	77,342,026	130,000,000	47,100,000 D	26,200,000 E	0	39,803,567 F	320,445,593	406,136,161	
1996-97	759,306,050	0	174,260,955	49,354,893	156,000,000 G	61,000,000 H	0	440,615,848	318,690,202	
1997-98	784,224,890	21,568,903	145,000,000	47,397,819	0	400,000,000 J	55,027,680 I	668,994,402	115,230,488	
1998-99	514,756,178	0	150,000,000	31,054,152	0	0	37,000,000 K	218,054,152	296,702,026	
1999-00	3,869,243	967,311	2,901,932	0 L	0	0	0	3,869,243	0	
2000-01	6,350,587	0	0	0 M		6,350,587 N	0	6,350,587	0	
2001-02	3,785,997 O	0	0	0				0	25,000,000 O	

Notes:

- A Includes direct transfer to the Savings Reserve Account of \$66,700,000
- B Only \$125,000,000 was appropriated by the General Assembly for Repairs/Renovations; the balance of \$21,305,569 was appropriated by the 1996 Session of the General Assembly for Special Projects.
- C Reserve for Future Tax Relief
- D \$9.2 million was transferred to the Wetlands Restoration Fund in accordance with Section 27.6(d) of Chapter 18 of the 1996 Extra Session Laws
- E Reserve for Federal Retirees Refund (\$25 million) and Federal Retiree Administration (\$1.2 million)
- F Appropriation of additional 1996-97 capital improvements of \$39,519,567 made by re-appropriating 1995-96 unexpended appropriations and the appropriation of 1995-96 reversion of \$284,000 for library grants (Library grant was not re-appropriated but held in reserve)
- G Reserve for Intangible Tax Remedy/Refunds
- H Investment in NC Railroad stock
- I Appropriation of 1997-98 reversions for FY 1997-98 in accordance with Section 9, SL 1998-212
- J Bailey/Emory/Patton Reserve
- K Appropriation of 1998-99 reversions for Aquariums capital improvement, \$30 million; Warren County Landfill, \$7 million
- L Year-end credit balance insufficient for earmarking; General Assembly appropriated \$30 million directly to the Clean Water Management Trust Fund
- M Effective July 1, 2001, the General Assembly repealed the required earmarking of the year end credit balance for the Clean Water Management Trust Fund and established an annual appropriation for the trust fund.
- N Transferred to the Reserve for Disaster Relief
- O June 30th credit balance per the Office of State Budget and Management. The beginning unreserved credit balance recognized by the General Assembly and included in General Fund availability for the 2002-03 fiscal year is \$25 million, as specified in Section 2.2(a) of SL 2002-126

Savings Reserve Account at Fiscal Year Ending June 30th

(Earmarking Limited to 25% of the Year-end Unreserved Credit Balance or the Amount Required to Reach the Cap if Less than 25%)

Fiscal Year	Prior Fiscal Year Current Operations Appropriation* (Base for Calculations see pages Q-2 and Q-3)	Statutory Cap 5% of Prior Fiscal Year Operations Appropriation	Unreserved Credit Balance at Fiscal Year-end June 30th	Current Year Earmarking / Appropriation to Savings Reserve	Withdrawal from Savings Reserve	Balance Savings Reserve Account
1990-1991				141,000,000 A		0
1991-1992	7,726,343,007	386,317,150	164,773,001	41,593,253	0	41,593,253
1992-1993	7,825,507,308	391,275,365	537,330,259	134,332,565	0	175,925,818
1993-1994	8,114,332,336	405,716,617	622,712,983	155,678,246	(121,000,000) B	210,604,064
1994-1995	9,125,084,906	456,254,245	586,422,276 B	213,005,569		423,609,633
1995-1996	10,019,033,177 C	500,951,659	726,581,754	77,342,029	0	500,951,662
1996-1997	9,793,062,378	489,653,119	759,306,050	0	0	500,951,662
1997-1998	10,450,411,229 D	522,520,561	784,224,890	21,568,899	0	522,520,561
1998-1999	11,258,582,548 E	562,929,127	515,077,350	0 F	(200,000,000) G	322,520,561
1999-2000	12,327,025,974 H	616,351,299	3,869,243	967,311	(285,965,824) I	37,522,048
2000-2001	13,441,610,285	672,080,514	6,350,587	120,000,000 J		157,522,048
2001-2002	13,878,542,760	693,927,138	3,785,997 M	90,000,000 K	(247,522,048) L	0
2002-2003	14,705,809,843	735,290,492	?	0 N		0

**Includes Local Government Shared Revenues/Reimbursements Directly Appropriated*

- A The General Assembly appropriated \$141 million; this reserve was used to offset a shortfall in revenue for 1990-91
- B The General Assembly authorized the transfer of \$121 Million to be used for the purpose of restoring the June 30 paydate.
- C Includes direct appropriation to Savings Reserve Account (\$66.7 million) and Local Government Shared Revenue (\$236.8 million)
- D Adjusted to reflect Emergency Appropriation made to the Dept. of Community Colleges for 1996-97 by the 1997 Session.
- E Adjusted to reflect Emergency Appropriation for Year 2000 Conversion for 1997-98 (\$20,506,367) as approved by 1998 Session
- F The 1999 General Assembly directed that no funds be transferred to the Savings Reserve Account for the fiscal year ending June 30, 1999
- G Funds appropriated from the Savings Reserve Account to comply with the lawsuit settlement on the Intangible Tax Refunds
- H Adjusted for \$6.5 million in Juvenile Justice Reserve transferred to Capital Improvements
- I Funds appropriated from the Savings Reserve Account to the Hurricane Floyd Reserve Fund (Office of State Budget Disaster Relief Fund)
- J Funds appropriated directly to the Savings Reserve Account, due to insufficient year-end credit balance for earmarking
- K Includes funds credited directly to the Savings Reserve Account from anticipated revenues, due to insufficient year-end credit balance for earmarking. Includes \$181 million credited per SL 2001-424, Appropriations Act and \$750,000 per S: 2001-514, Turfgrass Research. Due to a revenue shortfall during the 2001-02 fiscal year, the Director of the Budget credited only \$90 million to the Savings Reserve Account.
- L \$8,180,351 transferred to terrorism defense initiatives and \$239,341,697 transferred to General Fund availability to cover revenue shortfall as authorized by the General Assembly
- M June 30th credit balance per the Office of State Budget and Management. The beginning unreserved credit balance recognized by the General Assembly and included in General Fund availability for the 2002-03 fiscal year is \$25 million, as specified in Section 2.2(a) of SL 2002-126.
- N The General Assembly directed that no funds be credited to the savings reserve account from the FY 2001-02 year-end credit balance.

Actual Tax Revenues Collected by Major Schedules

Fiscal Year	Individual	Income Tax Corporate	Total Income	Sales & Use	Franchise	Inheritance	Beverage	Insurance	Cigarette/ Tobacco	Soft Drinks	Other	Total Tax Revenue
1970-71	301,755,720	111,841,025	413,596,745	285,893,056	61,924,665	18,808,807	56,382,987	32,368,226	16,361,491	18,550,517	17,558,198	921,444,692
1971-72	361,816,480	122,034,298	483,850,778	324,824,018	71,073,722	22,164,706	60,583,412	35,927,677	18,891,365	19,192,153	15,391,871	1,051,899,702
1972-73	431,222,164	135,086,285	566,308,449	368,746,184	80,622,288	34,030,814	63,957,863	40,802,936	20,228,597	19,724,564	19,575,349	1,213,997,044
1973-74	504,319,052	148,748,753	653,067,805	409,393,909	91,658,623	29,196,269	67,751,142	44,764,328	20,531,733	20,200,510	21,621,149	1,358,185,468
1974-75	549,927,432	165,473,944	715,401,376	423,006,813	111,742,188	26,202,077	70,042,026	47,999,930	20,753,314	18,110,432	17,925,944	1,451,184,100
1975-76	604,792,720	155,685,814	760,478,534	464,756,311	130,193,042	28,280,942	73,323,247	54,809,184	21,473,062	19,765,341	18,765,791	1,571,845,454
1976-77	782,092,041	203,397,684	985,489,725	510,295,335	146,139,025	31,038,176	75,216,249	56,609,311	20,307,632	20,119,909	24,751,396	1,869,966,758
1977-78	848,247,311	228,693,809	1,076,941,120	578,960,737	162,348,177	35,122,343	79,809,085	63,957,032	19,415,339	22,071,726	21,856,189	2,060,481,748
1978-79	996,226,723	252,704,464	1,248,931,187	646,729,888	181,454,337	37,709,225	85,115,511	71,109,177	18,826,236	23,047,831	24,294,753	2,337,218,145
1979-80	1,180,507,067	290,632,136	1,471,139,203	691,902,227	200,814,972	40,077,397	90,461,024	80,258,938	18,031,230	21,970,740	24,558,259	2,639,213,990
1980-81	1,303,517,221	279,803,897	1,583,321,118	737,098,123	235,280,325	43,433,565	95,389,760	86,188,075	18,247,220	22,278,966	24,716,296	2,845,953,448
1981-82	1,449,370,198	277,447,978	1,726,818,176	777,449,131	269,764,189	43,480,619	99,640,685	92,817,199	18,277,757	21,882,630	27,582,451	3,077,712,837
1982-83	1,550,107,336	306,517,039	1,856,624,375	823,400,004	298,560,505	44,071,761	100,343,420	98,116,843	15,618,474	21,829,242	20,460,219	3,279,024,843
1983-84	1,784,986,813	367,823,717	2,152,810,530	998,987,392	326,787,458	66,412,027	101,192,377	106,523,346	14,970,694	23,667,499	23,026,280	3,814,377,603
1984-85	2,023,463,495	489,955,619	2,513,419,114	1,155,845,141	310,142,987	71,203,186	105,075,395	116,107,705	14,907,150	24,607,217	25,414,359	4,336,722,254
1985-86	2,206,749,074	510,675,054	2,717,424,128	1,380,409,070	197,594,803	82,020,611	108,981,903	134,814,850	14,895,376	25,712,882	32,667,227	4,694,520,850
1986-87	2,565,878,217	563,528,678	3,129,406,895	1,451,612,941	206,523,263	73,540,356	112,514,998	139,229,389	11,616,044	24,828,396	31,289,835	5,180,562,117
1987-88	2,686,832,223	625,972,626	3,312,804,849	1,555,266,971	234,779,520	60,728,032	122,479,873	186,461,390	8,484,073	27,365,786	42,918,379	5,551,288,873
1988-89	3,002,323,870	549,432,007	3,551,755,877	1,681,724,768	236,296,779	67,154,138	127,614,668	187,071,844	7,952,400	27,912,071	41,059,561	5,928,542,106
1989-90	3,390,389,817	557,763,530	3,948,153,347	1,762,717,987	262,760,974	72,871,272	145,690,616	176,714,976	15,315,186	28,987,047	148,211,757	6,561,423,162
1990-91	3,534,474,150	493,213,262	4,027,687,412	1,682,340,881	372,888,415	76,790,835	153,753,340	193,240,504	15,190,478	29,752,060	140,861,252	6,692,505,177
1991-92	3,583,017,675	606,195,418	4,189,213,093	2,161,362,545	406,952,650	87,676,257	158,075,821	203,829,955	40,362,907	32,417,808	158,554,573	7,438,445,609
1992-93	3,992,016,392	429,848,526	4,421,864,918	2,344,073,330	419,986,494	89,618,065	159,142,463	198,811,590	42,880,901	34,461,373	172,177,426	7,883,016,560
1993-94	4,254,506,549	487,796,660	4,742,303,209	2,578,846,239	439,287,031	106,533,229	161,133,617	219,439,488	37,925,056	36,538,688	194,749,199	8,516,755,756
1994-95	4,665,474,733	649,389,838	5,314,864,571	2,781,683,390	458,058,989	109,865,448	163,188,783	236,215,989	44,635,750	37,958,080	219,345,056	9,365,816,056
1995-96	4,800,034,948	673,837,774	5,473,872,722	2,958,132,813	355,918,036	112,912,290	145,517,853	242,652,553	46,697,736	39,805,998	83,245,228	9,458,755,229
1996-97	5,329,990,261	717,750,574	6,047,740,835	3,127,673,443	387,811,674	132,068,325	150,208,567	258,503,720	46,677,349	31,347,645	57,115,919	10,239,147,477
1997-98	6,028,870,217	696,338,557	6,725,208,774	3,255,372,048	407,256,555	138,124,663	153,723,510	283,763,234	47,177,218	23,078,645	58,741,873	11,092,446,520
1998-99	6,606,500,278	848,509,669	7,455,009,947	3,376,206,664	409,558,340	169,935,220	158,026,529	291,230,879	44,852,542	12,349,253	48,094,529	11,965,263,904
1999-00	7,080,106,177	903,241,974	7,983,348,151	3,354,897,708	306,979,197	163,327,319	166,372,353	273,367,118	43,663,205	1,285,949	97,737,509	12,390,978,509
2000-01	7,391,342,524	460,315,086	7,851,657,610	3,435,558,577	580,431,850	123,165,443	172,698,910	305,791,331	42,025,877	51,202	61,678,611	12,573,059,411
2001-02	7,134,629,832	409,322,539	7,543,952,371	3,705,769,832	446,270,680	104,750,885	174,644,725	340,785,358	41,531,347	1,855	86,953,961	12,444,661,014

Authorized and Actual Revenue Collections by Fiscal Year
Includes Tax and Non-tax Revenues
(Amounts shown in Thousands)

Fiscal Year	Authorized							Actual Collections							Overcollections					
	Tax Revenue	Non-tax Revenue	Other	Federal Revenues	Hwy Trust Transfer	Total	% of Change	Tax Revenue	Non-tax Revenue	Other	Federal Revenues	Hwy Trust Transfer	Total	% of Change	Tax Revenue	Non-tax Revenue	Other	Federal Revenues	Hwy Trust Transfer	Total
1970-71	909,630	27,570	0	0	0	937,200		921,445	46,191	0	0	0	967,636		11,815	18,621	0	0	0	30,436
1971-72	998,165	46,500	0	0	0	1,044,665	11.47%	1,051,900	42,009	0	0	0	1,093,909	13.05%	53,735	(4,491)	0	0	0	49,244
1972-73	1,080,490	53,330	0	0	0	1,133,820	8.53%	1,213,997	45,419	0	58,307	0	1,317,723	20.46%	133,507	(7,911)	0	58,307	0	183,903
1973-74	1,312,051	41,700	0	48,700	0	1,402,451	23.69%	1,358,185	71,579	0	52,727	0	1,482,491	12.50%	46,134	29,879	0	4,027	0	80,040
1974-75	1,507,270	68,350	0	52,400	0	1,628,020	16.08%	1,451,184	92,913	0	53,050	0	1,597,147	7.73%	(56,086)	24,563	0	650	0	(30,873)
1975-76	1,595,120	84,400	0	51,753	0	1,731,273	6.34%	1,571,845	76,232	0	62,454	0	1,710,531	7.10%	(23,275)	(8,168)	0	10,701	0	(20,742)
1976-77	1,824,000	80,617	0	53,613	0	1,958,230	13.11%	1,869,967	82,607	0	65,775	0	2,018,349	18.00%	45,967	1,990	0	12,162	0	60,119
1977-78	1,978,600	53,104	0	62,000	0	2,103,704	7.43%	2,060,482	74,339	0	61,732	0	2,196,553	8.83%	81,882	11,235	0	(268)	0	92,849
1978-79	2,262,000	74,500	0	56,588	0	2,393,088	13.76%	2,337,218	93,077	0	56,673	0	2,486,968	13.22%	75,218	18,577	0	85	0	93,880
1979-80	2,534,763	94,132	0	56,889	0	2,685,784	12.23%	2,639,214	146,046	0	56,782	0	2,842,042	14.28%	104,451	51,914	0	(107)	0	156,258
1980-81	2,839,500	98,700	0	28,381	0	2,966,581	10.45%	2,845,953	149,467	0	28,392	0	3,023,812	6.40%	6,453	50,767	0	11	0	57,231
1981-82	3,138,800	141,600	0	0	0	3,280,400	10.58%	3,077,713	151,566	0	262	0	3,229,541	6.80%	(61,087)	9,966	0	262	0	(50,859)
1982-83	3,370,300	144,800	0	0	0	3,515,100	7.15%	3,279,025	124,818	0	1,274	0	3,405,117	5.44%	(91,275)	(19,982)	0	1,274	0	(109,983)
1983-84	3,663,900	151,950	0	0	0	3,815,850	8.56%	3,814,378	142,900	0	169	0	3,957,447	16.22%	150,478	(9,050)	0	169	0	141,597
1984-85	4,129,722	146,840	0	1,500	0	4,278,062	12.11%	4,336,722	188,916	0	53	0	4,525,691	14.36%	207,000	42,076	0	(1,447)	0	247,629
1985-86	4,607,924	186,500	0	0	0	4,794,424	12.07%	4,694,521	216,347	0	0	0	4,910,868	8.51%	86,597	29,847	0	0	0	116,444
1986-87	4,997,866	218,000	0	0	0	5,215,866	8.79%	5,180,562	211,515	0	0	0	5,392,077	9.80%	182,696	(6,485)	0	0	0	176,211
1987-88	5,380,831	234,900	0	0	0	5,615,731	7.67%	5,551,289	253,238	0	0	0	5,804,527	7.65%	170,458	18,338	0	0	0	188,796
1988-89	5,902,201	266,490	0	0	0	6,168,691	9.85%	5,928,542	225,987	0	0	0	6,154,529	6.03%	26,341	(40,503)	0	0	0	(14,162)
1989-90	6,746,614	244,600	0	0	279,400	7,270,614	17.86%	6,561,423	262,290	0	0	164,693	6,988,406	13.55%	(185,191)	17,690	0	0	(114,707)	(282,208)
1990-91	7,357,400	214,700	17,000	0	264,000	7,852,400	8.00%	6,692,505	267,229	17,000	0	231,081	7,207,815	3.14%	(664,895)	53,229	0	0	(32,919)	(644,585)
1991-92	7,433,125	213,900	8,700	0	170,000	7,825,725	-0.34%	7,438,446	199,905	8,700	0	170,000	7,817,051	8.45%	5,321	(13,995)	0	0	0	(8,674)
1992-93	7,692,500	217,700	9,400	0	170,000	8,089,600	3.37%	7,883,017	230,380	9,400	0	170,000	8,292,797	6.09%	190,517	12,680	0	0	0	203,197
1993-94	8,360,900	293,760	9,900	93,200	170,000	8,927,760	10.36%	8,516,757	312,478	9,900	93,200	170,000	9,102,335	9.76%	155,857	18,718	0	0	0	174,575
1994-95	9,090,550	288,174	10,300	94,000	170,000	9,653,024	8.12%	9,365,818	330,423	10,500	94,000	170,000	9,970,739	9.54%	275,266	42,249	200	0	0	317,715
1995-96	9,164,500	317,200	11,100	106,900	170,000	9,769,700	1.21%	9,458,755	374,327	11,130	76,013	170,000	10,090,225	1.20%	294,255	57,127	30	(30,887)	0	320,525
1996-97	9,729,000	382,900	11,900	102,000	170,000	10,395,800	6.41%	10,238,591	409,281	11,853	100,844	170,000	10,930,569	8.33%	509,591	26,381	(47)	(1,156)	0	534,769
1997-98	10,561,300	449,700	12,600	0	170,000	11,193,600	7.67%	11,092,447	452,082	12,600	0	170,000	11,727,129	7.29%	531,147	2,382	0	0	0	533,529
1998-99	11,589,500	510,900	13,400	85,000	170,000	12,368,000	10.49%	11,965,264	500,057	13,400	85,000	170,000	12,733,721	8.58%	375,764	(10,843)	0	0	0	365,721
1999-00	12,468,000	519,300	13,600	105,000	170,000	13,275,900	7.34%	12,390,979	456,501	13,600	105,000	170,000	13,136,080	3.16%	(77,021)	(62,799)	0	0	0	(139,820)
2000-01	13,214,300	476,700	13,800	106,000	170,000	13,980,800	5.31%	12,573,059	413,100	186,600 A	109,143	170,000	13,451,902	2.40%	(641,241)	(63,600)	172,800	3,143	0	(528,898)
2001-02	13,956,100	463,700	14,500	107,000	171,700	14,713,000	5.24%	12,444,661	416,558	366,682 B	110,404	171,700	13,510,005	0.43%	(1,511,439)	(47,142)	352,182	3,404	0	(1,202,995)

Notes:

A: This figure includes monies that were transferred from various budget codes in order to help balance the budget. Transfers to "Other Revenues" include: 1) \$2.7 million from interest on tobacco, 2) \$22.2 million from capital reversions, and 3) \$147.9 million from Gov. Easley escrow. In the absence of these transfers, the General Fund revenue shortfall for this year totals \$701.7 million.

B: This figure includes monies that were transferred from various budget codes in order to help balance the budget. Transfers to "Other Revenues" include: 1) \$4.4 million from capital reversions, and 2) \$347.8 million from Gov. Easley escrow. In the absence of these transfers, the General Fund revenue shortfall for this year totals \$1.555 billion.

North Carolina General Fund Operating Appropriations
(Excludes Local Government Shared Revenues/Reimbursements)

Fiscal Year	Total Current Operations		Education							Health & Human Services		All Other	
			Public Schools		Community Colleges		University		as a				
			Amount	Percent	Amount	Percent	Amount	Percent	% of Total	Amount	Percent	Amount	Percent
1970-71	Authorization	981,127,808	510,055,771	52.0%	44,935,256	4.6%	147,326,678	15.0%	71.6%	131,483,760	13.4%	147,326,343	15.0%
	Expenditure	939,311,030	496,905,842	52.9%	43,642,139	4.6%	138,608,501	14.8%	72.3%	122,069,070	13.0%	138,085,478	14.7%
	Reversion	41,816,778	13,149,929	31.4%	1,293,117	3.1%	8,718,177	20.8%	55.4%	9,414,690	22.5%	9,240,865	22.1%
	% Unexpended	4.26%	2.58%		2.88%		5.92%			7.16%		6.27%	
1971-72	Authorization	1,073,289,571	533,536,652	49.7%	55,958,450	5.2%	163,331,175	15.2%	70.1%	160,607,710	15.0%	159,855,584	14.9%
	Expenditure	1,031,353,080	527,938,182	51.2%	55,954,999	5.4%	148,864,864	14.4%	71.0%	148,919,439	14.4%	149,675,596	14.5%
	Reversion	41,936,491	5,598,470	13.3%	3,451	0.0%	14,466,311	34.5%	47.9%	11,688,271	27.9%	10,179,988	24.3%
	% Unexpended	3.91%	1.05%		0.01%		8.86%			7.28%		6.37%	
1972-73	Authorization	1,187,443,130	575,012,350	48.4%	63,193,535	5.3%	179,910,706	15.2%	68.9%	180,762,164	15.2%	188,564,375	15.9%
	Expenditure	1,139,500,642	569,792,945	50.0%	60,636,067	5.3%	166,208,535	14.6%	69.9%	168,819,831	14.8%	174,043,264	15.3%
	Reversion	47,942,488	5,219,405	10.9%	2,557,468	5.3%	13,702,171	28.6%	44.8%	11,942,333	24.9%	14,521,111	30.3%
	% Unexpended	4.04%	0.91%		4.05%		7.62%			6.61%		7.70%	
1973-74	Authorization	1,520,694,407	718,947,864	47.3%	99,582,404	6.5%	222,838,796	14.7%	68.5%	224,614,625	14.8%	254,710,718	16.7%
	Expenditure	1,433,241,642	702,789,400	49.0%	92,458,946	6.5%	207,225,420	14.5%	69.9%	198,201,121	13.8%	232,566,755	16.2%
	Reversion	87,452,765	16,158,464	18.5%	7,123,458	8.1%	15,613,376	17.9%	44.5%	26,413,504	30.2%	22,143,963	25.3%
	% Unexpended	5.75%	2.25%		7.15%		7.01%			11.76%		8.69%	
1974-75	Authorization	1,698,417,672	789,391,908	46.5%	109,218,752	6.4%	280,638,400	16.5%	69.4%	270,434,740	15.9%	248,733,872	14.6%
	Expenditure	1,627,703,631	772,145,444	47.4%	106,413,517	6.5%	267,090,160	16.4%	70.4%	246,757,184	15.2%	235,297,326	14.5%
	Reversion	70,714,041	17,246,464	24.4%	2,805,235	4.0%	13,548,240	19.2%	47.5%	23,677,556	33.5%	13,436,546	19.0%
	% Unexpended	4.16%	2.18%		2.57%		4.83%			8.76%		5.40%	
1975-76	Authorization	1,737,659,496	800,937,335	46.1%	105,465,494	6.1%	270,526,549	15.6%	67.7%	282,548,220	16.3%	278,181,898	16.0%
	Expenditure	1,670,011,262	792,213,250	47.4%	99,816,634	6.0%	249,604,282	14.9%	68.4%	274,169,121	16.4%	254,207,975	15.2%
	Reversion	67,648,234	8,724,085	12.9%	5,648,859	8.4%	20,922,767	30.9%	52.2%	8,379,099	12.4%	23,973,424	35.4%
	% Unexpended	3.89%	1.09%		5.36%		7.73%			2.97%		8.62%	
1976-77	Authorization	1,962,976,606	899,151,043	45.8%	116,481,854	5.9%	307,123,340	15.6%	67.4%	335,842,343	17.1%	304,378,026	15.5%
	Expenditure	1,890,839,697	888,449,745	47.0%	110,824,929	5.9%	289,972,146	15.3%	68.2%	313,022,287	16.6%	288,570,590	15.3%
	Reversion	72,136,909	10,701,298	14.8%	5,656,925	7.8%	17,151,194	23.8%	46.5%	22,820,056	31.6%	15,807,436	21.9%
	% Unexpended	3.67%	1.19%		4.86%		5.58%			6.79%		5.19%	
1977-78	Authorization	2,193,405,714	997,654,527	45.5%	114,065,103	5.2%	357,790,592	16.3%	67.0%	368,169,434	16.8%	355,726,058	16.2%
	Expenditure	2,131,150,750	988,189,540	46.4%	113,168,528	5.3%	337,633,079	15.8%	67.5%	351,655,302	16.5%	340,504,301	16.0%
	Reversion	62,254,964	9,464,987	15.2%	896,575	1.4%	20,157,513	32.4%	49.0%	16,514,132	26.5%	15,221,757	24.5%
	% Unexpended	2.84%	0.95%		0.79%		5.63%			4.49%		4.28%	
1978-79	Authorization	2,452,011,095	1,098,173,958	44.8%	139,794,869	5.7%	394,767,166	16.1%	66.6%	412,559,917	16.8%	406,715,185	16.6%
	Expenditure	2,358,332,842	1,092,015,308	46.3%	133,975,021	5.7%	379,305,638	16.1%	68.1%	372,632,422	15.8%	380,404,453	16.1%
	Reversion	93,678,253	6,158,650	6.6%	5,819,848	6.2%	15,461,528	16.5%	29.3%	39,927,495	42.6%	26,310,732	28.1%
	% Unexpended	3.82%	0.56%		4.16%		3.92%			9.68%		6.47%	

North Carolina General Fund Operating Appropriations
(Excludes Local Government Shared Revenues/Reimbursements)

Fiscal Year	Total Current Operations		Education							Health & Human Services		All Other	
			Public Schools		Community Colleges		University		as a				
			Amount	Percent	Amount	Percent	Amount	Percent	% of Total	Amount	Percent	Amount	Percent
1979-80	Authorization	2,750,988,834	1,230,099,474	44.7%	145,243,264	5.3%	436,949,552	15.9%	65.9%	473,705,994	17.2%	464,990,550	16.9%
	Expenditure	2,660,272,288	1,230,099,473	46.2%	145,243,264	5.5%	414,751,963	15.6%	67.3%	429,814,253	16.2%	440,363,335	16.6%
	Reversion	90,716,546	1	0.0%	0	0.0%	22,197,589	24.5%	24.5%	43,891,741	48.4%	24,627,215	27.1%
	% Unexpended	3.30%	0.00%		0.00%		5.08%			9.27%		5.30%	
1980-81	Authorization	3,150,963,479	1,390,907,313	44.1%	174,996,965	5.6%	515,255,082	16.4%	66.0%	532,775,202	16.9%	537,028,917	17.0%
	Expenditure	3,050,012,908	1,390,907,313	45.6%	169,011,630	5.5%	487,919,423	16.0%	67.1%	488,201,903	16.0%	513,972,639	16.9%
	Reversion	100,950,571	0	0.0%	5,985,335	5.9%	27,335,659	27.1%	33.0%	44,573,299	44.2%	23,056,278	22.8%
	% Unexpended	3.20%	0.00%		3.42%		5.31%			8.37%		4.29%	
1981-82	Authorization	3,401,694,904	1,495,263,953	44.0%	194,452,082	5.7%	567,573,821	16.7%	66.4%	562,503,966	16.5%	581,901,082	17.1%
	Expenditure	3,244,758,733	1,477,036,604	45.5%	185,809,489	5.7%	534,143,560	16.5%	67.7%	501,927,937	15.5%	545,841,143	16.8%
	Reversion	156,936,171	18,227,349	11.6%	8,642,593	5.5%	33,430,261	21.3%	38.4%	60,576,029	38.6%	36,059,939	23.0%
	% Unexpended	4.61%	1.22%		4.44%		5.89%			10.77%		6.20%	
1982-83	Authorization	3,561,142,890	1,515,742,033	42.6%	205,585,837	5.8%	599,235,054	16.8%	65.2%	589,530,327	16.6%	651,049,639	18.3%
	Expenditure	3,374,921,984	1,455,408,320	43.1%	191,749,633	5.7%	560,438,959	16.6%	65.4%	547,208,474	16.2%	620,116,598	18.4%
	Reversion	186,220,906	60,333,713	32.4%	13,836,204	7.4%	38,796,095	20.8%	60.7%	42,321,853	22.7%	30,933,041	16.6%
	% Unexpended	5.23%	3.98%		6.73%		6.47%			7.18%		4.75%	
1983-84	Authorization	3,771,981,844 A	1,619,049,694	42.9%	232,195,091	6.2%	641,511,441	17.0%	66.1%	615,625,461	16.3%	663,600,157	17.6%
	Expenditure	3,689,904,837	1,615,216,290	43.8%	226,494,819	6.1%	615,765,535	16.7%	66.6%	584,128,657	15.8%	648,299,536	17.6%
	Reversion	82,077,007	3,833,404	4.7%	5,700,272	6.9%	25,745,906	31.4%	43.0%	31,496,804	38.4%	15,300,621	18.6%
	% Unexpended	2.18%	0.24%		2.45%		4.01%			5.12%		2.31%	
1984-85	Authorization	4,319,568,173	1,886,700,077	43.7%	259,101,105	6.0%	746,998,910	17.3%	67.0%	676,582,049	15.7%	750,186,032	17.4%
	Expenditure	4,187,988,292	1,854,957,593	44.3%	257,230,807	6.1%	714,513,120	17.1%	67.5%	629,977,924	15.0%	731,308,848	17.5%
	Reversion	131,579,881	31,742,484	24.1%	1,870,298	1.4%	32,485,790	24.7%	50.2%	46,604,125	35.4%	18,877,184	14.3%
	% Unexpended	3.05%	1.68%		0.72%		4.35%			6.89%		2.52%	
1985-86	Authorization	4,877,060,744	2,185,803,123	44.8%	281,875,727	5.8%	840,311,094	17.2%	67.8%	747,615,271	15.3%	821,455,529	16.8%
	Expenditure	4,718,355,240	2,156,921,328	45.7%	277,815,320	5.9%	793,114,439	16.8%	68.4%	707,151,818	15.0%	783,352,335	16.6%
	Reversion	158,705,504	28,881,795	18.2%	4,060,407	2.6%	47,196,655	29.7%	50.5%	40,463,453	25.5%	38,103,194	24.0%
	% Unexpended	3.25%	1.32%		1.44%		5.62%			5.41%		4.64%	
1986-87	Authorization	5,233,678,633	2,346,139,866	44.8%	307,102,490	5.9%	909,134,150	17.4%	68.1%	804,932,884	15.4%	866,369,243	16.6%
	Expenditure	5,051,335,794	2,293,921,501	45.4%	299,359,220	5.9%	853,232,567	16.9%	68.2%	771,114,680	15.3%	833,707,826	16.5%
	Reversion	182,342,839	52,218,365	28.6%	7,743,270	4.2%	55,901,583	30.7%	63.5%	33,818,204	18.5%	32,661,417	17.9%
	% Unexpended	3.48%	2.23%		2.52%		6.15%			4.20%		3.77%	
1987-88	Authorization	5,805,245,729	2,639,237,658	45.5%	326,296,294	5.6%	980,746,492	16.9%	68.0%	874,393,715	15.1%	984,571,570	17.0%
	Expenditure	5,600,754,849	2,571,179,747	45.9%	317,666,441	5.7%	936,874,299	16.7%	68.3%	824,077,048	14.7%	950,957,314	17.0%
	Reversion	204,490,880	68,057,911	33.3%	8,629,853	4.2%	43,872,193	21.5%	59.0%	50,316,667	24.6%	33,614,256	16.4%
	% Unexpended	3.52%	2.58%		2.64%		4.47%			5.75%		3.41%	

North Carolina General Fund Operating Appropriations
(Excludes Local Government Shared Revenues/Reimbursements)

Fiscal Year	Total Current Operations		Education							Health & Human Services		All Other	
			Public Schools		Community Colleges		University		as a				
			Amount	Percent	Amount	Percent	Amount	Percent	% of Total	Amount	Percent	Amount	Percent
1988-89	Authorization	6,302,733,865	2,930,643,866	46.5%	332,064,381	5.3%	1,039,510,499	16.5%	68.3%	961,204,892	15.3%	1,039,310,227	16.5%
	Expenditure	6,131,757,410	2,857,740,313	46.6%	324,207,283	5.3%	996,187,476	16.2%	68.1%	939,216,000	15.3%	1,014,406,338	16.5%
	Reversion	170,976,455	72,903,553	42.6%	7,857,098	4.6%	43,323,023	25.3%	72.6%	21,988,892	12.9%	24,903,889	14.6%
	% Unexpended	2.71%	2.49%		2.37%		4.17%			2.29%		2.40%	
1989-90	Authorization	6,883,018,393 A	3,134,428,215	45.5%	365,537,274	5.3%	1,109,917,895	16.1%	67.0%	1,010,637,670	14.7%	1,262,497,339	18.3%
	Expenditure	6,539,691,898	3,111,034,727	47.6%	346,856,268	5.3%	989,230,466	15.1%	68.0%	943,279,717	14.4%	1,149,290,720	17.6%
	Reversion	343,326,495	23,393,488	6.8%	18,681,006	5.4%	120,687,429	35.2%	47.4%	67,357,953	19.6%	113,206,619	33.0%
	% Unexpended	4.99%	0.75%		5.11%		10.87%			6.66%		8.97%	
1990-91	Authorization	7,249,630,710 A	3,329,171,720	45.9%	387,611,956	5.3%	1,143,216,957	15.8%	67.0%	1,098,228,128	15.1%	1,291,401,949	17.8%
	Expenditure	6,877,865,221	3,176,190,223	46.2%	374,186,097	5.4%	1,089,669,672	15.8%	67.5%	1,071,202,135	15.6%	1,166,617,094	17.0%
	Reversion	371,765,491	152,981,497	41.1%	13,425,859	3.6%	53,547,285	14.4%	59.2%	27,025,993	7.3%	124,784,857	33.6%
	% Unexpended	5.13%	4.60%		3.46%		4.68%			2.46%		9.66%	
1991-92	Authorization	7,357,101,134 A	3,293,699,663	44.8%	344,131,858	4.7%	1,121,976,740	15.3%	64.7%	1,237,322,428	16.8%	1,359,970,445	18.5%
	Expenditure	7,184,089,741	3,235,476,119	45.0%	338,050,542	4.7%	1,092,166,393	15.2%	64.9%	1,223,468,038	17.0%	1,294,928,649	18.0%
	Reversion	173,011,390	58,223,544	33.7%	6,081,316	3.5%	29,810,346	17.2%	54.4%	13,854,390	8.0%	65,041,794	37.6%
	% Unexpended	2.35%	1.77%		1.77%		2.66%			1.12%		4.78%	
1992-93	Authorization	7,881,908,182 A	3,435,634,234	43.6%	398,689,471	5.1%	1,170,947,533	14.9%	63.5%	1,410,255,601	17.9%	1,466,381,343	18.6%
	Expenditure	7,552,787,565	3,399,653,728	45.0%	391,402,904	5.2%	1,140,308,136	15.1%	65.3%	1,222,683,543	16.2%	1,398,739,254	18.5%
	Reversion	329,120,617	35,980,506	10.9%	7,286,567	2.2%	30,639,398	9.3%	22.5%	187,572,058	57.0%	67,642,088	20.6%
	% Unexpended	4.18%	1.05%		1.83%		2.62%			13.30%		4.61%	
1993-94	Authorization	8,888,710,752 A	3,634,055,711	40.9%	450,882,941	5.1%	1,299,865,905	14.6%	60.6%	1,759,286,096	19.8%	1,744,620,099	19.6%
	Expenditure	8,575,733,017	3,587,786,193	41.8%	447,100,088	5.2%	1,266,772,749	14.8%	61.8%	1,647,826,530	19.2%	1,626,247,457	19.0%
	Reversion	312,977,735	46,269,518	14.8%	3,782,403	1.2%	33,093,156	10.6%	26.6%	111,459,566	35.6%	118,373,092	37.8%
	% Unexpended	3.52%	1.27%		0.84%		2.55%			6.34%		6.79%	
1994-95	Authorization	9,715,509,023 A	4,082,959,317	42.0%	455,651,184	4.7%	1,296,558,991	13.3%	60.1%	1,948,639,177	20.1%	1,931,700,354	19.9%
	Expenditure	9,482,528,320	4,048,929,070	42.7%	453,927,375	4.8%	1,265,809,673	13.3%	60.8%	1,902,007,678	20.1%	1,811,854,524	19.1%
	Reversion	232,980,703	34,030,247	14.6%	1,723,809	0.7%	30,749,318	13.2%	28.5%	46,631,499	20.0%	119,845,830	51.4%
	% Unexpended	2.40%	0.83%		0.38%		2.37%			2.39%		6.20%	
1995-96	Authorization	9,793,062,378	3,998,978,216	40.8%	470,880,697	4.8%	1,301,040,079	13.3%	58.9%	2,049,069,520	20.9%	1,973,093,866	20.1%
	Expenditure	9,570,832,269	3,951,497,059	41.3%	467,105,237	4.9%	1,275,618,898	13.3%	59.5%	1,991,088,366	20.8%	1,885,522,709	19.7%
	Reversion	222,230,109	47,481,157	21.4%	3,775,460	1.7%	25,421,181	11.4%	34.5%	57,981,154	26.1%	87,571,157	39.4%
	% Unexpended	2.27%	1.19%		0.80%		1.95%			2.83%		4.44%	
1996-97	Authorization	10,450,411,229	4,301,626,282	41.2%	501,802,184	4.8%	1,385,611,961	13.3%	59.2%	2,189,874,842	21.0%	2,071,495,960	19.8%
	Expenditure	10,309,508,861	4,267,252,095	41.4%	495,543,157	4.8%	1,382,794,052	13.4%	59.6%	2,153,564,048	20.9%	2,010,355,509	19.5%
	Reversion	140,902,368	34,374,187	24.4%	6,259,027	4.4%	2,817,909	2.0%	30.8%	36,310,794	25.8%	61,140,451	43.4%
	% Unexpended	1.35%	0.80%		1.25%		0.20%			1.66%		2.95%	

North Carolina General Fund Operating Appropriations

(Excludes Local Government Shared Revenues/Reimbursements)

Fiscal Year	Total Current Operations		Education							Health & Human Services		All Other	
			Public Schools		Community Colleges		University		as a				
			Amount	Percent	Amount	Percent	Amount	Percent	% of Total	Amount	Percent	Amount	Percent
1997-98	Authorization	11,258,582,548 B	4,697,892,305	41.7%	534,873,175	4.8%	1,489,866,397	13.2%	59.7%	2,422,884,666 C	21.5%	2,113,066,005	18.8%
	Expenditure	11,108,886,722	4,693,184,126	42.2%	528,107,909	4.8%	1,475,180,196	13.3%	60.3%	2,359,194,346	21.2%	2,053,220,145	18.5%
	Reversion	149,695,826 D	4,708,179	3.1%	6,765,266	4.5%	14,686,201	9.8%	17.5%	63,690,320	42.5%	59,845,860	40.0%
	% Unexpended	1.33%	0.10%		1.26%		0.99%			2.63%		2.83%	
1998-99	Authorization	12,327,025,974	5,068,634,951	41.1%	587,542,475	4.8%	1,628,888,154	13.2%	59.1%	2,663,571,595	21.6%	2,378,388,799	19.3%
	Expenditure	12,177,442,547	5,038,223,817	41.4%	582,222,727	4.8%	1,626,641,628	13.4%	59.5%	2,598,933,047	21.3%	2,331,421,328	19.1%
	Reversion	149,583,427 E	30,411,134	20.3%	5,319,748	3.6%	2,246,526	1.5%	25.4%	64,638,548	43.2%	46,967,471	31.4%
	% Unexpended	1.21%	0.60%		0.91%		0.14%			2.43%		1.97%	
1999-00	Authorization	13,441,610,285	5,497,075,780 F	40.9%	589,634,008	4.4%	1,682,143,914	12.5%	57.8%	2,797,755,988	20.8%	2,875,000,595	21.4%
	Expenditure	13,297,649,285 G	5,450,607,364	41.0%	582,151,546	4.4%	1,679,203,122	12.6%	58.0%	2,776,740,143	20.9%	2,808,947,110	21.1%
	Reversion	143,961,000	46,468,416	32.3%	7,482,462	5.2%	2,940,792	2.0%	39.5%	21,015,845	14.6%	66,053,485	45.9%
	% Unexpended	1.07%	0.85%		1.27%		0.17%			0.75%		2.30%	
2000-01	Authorization	13,785,142,760	5,792,274,120	42.0%	644,032,372	4.7%	1,802,069,274	13.1%	59.8%	2,954,057,035	21.4%	2,592,709,959	18.8%
	Expenditure	13,220,036,214	5,671,631,385	42.9%	624,550,046	4.7%	1,767,873,649	13.4%	61.0%	2,884,925,899	21.8%	2,271,055,235	17.2%
	Reversion	565,106,546 H	120,642,735	21.3%	19,482,326	3.4%	34,195,625	6.1%	30.8%	69,131,136	12.2%	321,654,724	56.9%
	% Unexpended	4.10%	2.08%		3.03%		1.90%			2.34%		12.41%	
2001-02	Authorization	14,530,345,843	5,922,450,405	40.8%	650,075,770	4.5%	1,801,953,447	12.4%	57.6%	3,403,041,641	23.4%	2,752,824,580	18.9%
	Expenditure	13,741,135,020	5,815,381,127	42.3%	603,705,902	4.4%	1,647,270,569	12.0%	58.7%	3,273,742,131	23.8%	2,401,035,291	17.5%
	Reversion	789,210,823 H	107,069,278	13.6%	46,369,868	5.9%	154,682,878	19.6%	39.0%	129,299,510	16.4%	351,789,289	44.6%
	% Unexpended	5.43%	1.81%		7.13%		8.58%			3.80%		12.78%	

Notes:

A: Amounts Adjusted; see Total General Fund Authorizations as Adjusted to Determine Total Current Operations

B: Adjusted to include Year 2000 Appropriation for 1997-98 made by 1998 Session

C: Adjusted for Reorganization reflecting transfer of Health Services to Department of Health and Human Services

D: Reversions for 1997-98 of \$55,027,680 were earmarked for expenditure in Section 9 of SB 1366 (SL1998-212), reducing net reversions to \$94,668,146

E: Reversions of \$37 million were earmarked: \$30 million for Aquariums Capital and \$7 million for Warren County

F: Total includes \$240 million transfer from 11th/12th month payroll funds to Intangibles Reserve and additional \$11 million transfer to General Fund

G: Total includes \$225.7 million in "targeted reversions" transferred from state agencies to the Reserve for Hurricane Floyd Disaster Relief.

(Amounts transferred to the Floyd Reserve by: Public Schools = \$45,545,171; Community Colleges = \$5,797,721; UNC System = \$13,607,225; DHHS = \$96,758,305)

H: Reversion totals higher for FY 2000-01 and 2001-02 due to budget balancing measures directed by the Governor.

Capital Improvement Authorizations

Fiscal Year		Direct Appropriation	Repairs and Renovations	Federal Revenue Sharing	Legislative Bonds	Grand Total
1969-70		75,588,603	0	0	0	75,588,603
1971-72		64,891,192	0	0	45,996,500	110,887,692
1973-74		86,622,446	0	105,200,000	0	191,822,446
1974-75		36,165,337 A	0	57,200,000	0	93,365,337
1975-76		23,948,648	0	4,713,789	0	28,662,437
1976-77		28,969,937 B	0	16,126,358	0	45,096,295
1977-78		4,749,000	0	26,583,626	0	31,332,626
1978-79		93,778,818	0	32,230,000	0	126,008,818
1979-80		84,378,719	0	0	0	84,378,719
1980-81		104,141,290	0	0	0	104,141,290
1981-82		30,861,142	0	0	0	30,861,142
1982-83		65,772,358	0	0	0	65,772,358
1983-84		59,782,244	0	0	0	59,782,244
1984-85		212,535,238	0	0	0	212,535,238
1985-86		253,503,234	0	0	0	253,503,234
1986-87		297,667,245 C	0	0	0	297,667,245
1987-88		173,020,035 D	0	0	0	173,020,035
1988-89		258,659,030	0	0	20,498,803 E	279,157,833
1989-90		150,092,738 F	0	0	0	150,092,738
1990-91		106,400,195 G	0	0	75,000,000	181,400,195
1991-92		0	0	0	45,000,000	45,000,000
1992-93		95,205,570	0	0	0	95,205,570
1993-94		135,371,704	57,000,000	0	0	192,371,704
1994-95		189,391,450	60,000,000	0	0	249,391,450
1995-96		113,522,500	125,000,000	0	0	238,522,500
1996-97		196,786,567 H	130,000,000	0	0	326,786,567
1997-98		197,252,975 I	135,000,000	0	0	332,252,975
1998-99		222,199,500 J	145,000,000	0	0	367,199,500
1999-00	L	77,059,168	90,000,000 K	0	0	167,059,168
2000-01	N	14,974,172	60,500,000 M	0	0	75,474,172
2001-02	P	32,936,000	0 O	0	0	32,936,000
2002-03		31,158,000	0	0	0	31,158,000

Notes:

- A Includes contingent appropriation of \$1,789,000
- B Includes appropriation adjustment of \$1,000,000
- C Includes Emergency Prison Bill enacted by 1987 Session
- D Reflects transfer of Sematech to R/R Reserve in accordance with Section 73, Chapter 1515
- E Reflects reduction of \$4,501,097 of authorization not issued at June 30, 1989
- F Reflects reduction of \$95,171,855 made by Governor due to economic downturn
- G Reflects reduction of \$100,897,000 made by Governor due to economic downturn
- H Includes \$39,519,567 earmarked from credit balance
- I Includes \$39,260,955 earmarked from credit balance and \$5m for South Mtn gameland acquisition
- J Direct appropriation of \$185,699,500, transfer of \$6,500,000 from the Reserve for Juvenile Justice, and \$30m earmarked for Aquariums from year-end reversions
- K Original authorization was \$150,000,000; \$60,000,000 was transferred to Hurricane Floyd Disaster Reserve
- L Does **not** reflect the transfer of \$147 million in prior year capital appropriations to the Hurricane Floyd Disaster Reserve
- M Original authorization was \$100,000,000; \$39,500,000 was used to offset revenue/budgetary shortfall
- N Does **not** reflect the reversion of \$21.2 million in prior year capital appropriations to offset the revenue/budgetary shortfall
- O Original appropriation of \$125 million was used by Governor to offset revenue/budgetary shortfall
- P Does **not** reflect the reversion of \$4.4 million in prior year capital appropriations to offset the revenue/budgetary shortfall

General Obligation Bond Acts Since 1971
(Voted on by the Public)

Year	Authorization	Description	State Projects	Local Projects
1971	Chapter 909	Clean Water Bonds		150,000,000
1971	Chapter 953	NC Zoological Park Facilities	2,000,000	
1973	Chapter 657	Public School Facilities		300,000,000
1975	Chapter 854	UNC System	43,250,000	
1977	Chapter 677	Clean Water Bonds		230,000,000
1990	Chapter 935	Prison and Youth Services Facilities		
		Authorized for use in 1991	112,500,000	
		Authorized for use in 1993	87,500,000	
1993	Chapter 542	Education, Clean Water and Parks		
		UNC System	310,000,000	
		State Parks	35,000,000	
		Community Colleges*		250,000,000
		Clean Water		145,000,000
1996	Chapter 631	Public School Facilities		1,800,000,000
1998	SL 1998-132	Clean Water and Natural Gas		
		Clean Water	800,000,000	
		Extension of Natural Gas Service	200,000,000	
2000	SL 2000-3	Higher Education Bonds		
		UNC System	2,500,000,000	
		Community Colleges		600,000,000
Grand Total			4,090,250,000	3,475,000,000

* \$23.9 million was part of 1993 Issue but reserved to be addressed by 1994 Session.

North Carolina Annual Debt Service
(Principal and Interest)

Fiscal Year	General Fund	Highway Fund	Total Debt Service	Total Per Capita	G.F. Debt Service as a % of G.F. Revenue
1970-71	17,757,503	25,599,500	43,357,003	8.32	1.8%
1971-72	18,631,260	32,617,500	51,248,760	9.67	1.7%
1972-73	21,466,030	25,749,000	47,215,030	8.77	1.6%
1973-74	48,147,042	25,083,000	73,230,042	13.40	3.2%
1974-75	0	24,415,500	24,415,500	4.41	0.0%
1975-76	34,870,615	23,776,500	58,647,115	10.48	2.0%
1976-77	40,024,500	23,156,000	63,180,500	11.14	2.0%
1977-78	49,202,210	27,522,500	76,724,710	13.35	2.2%
1978-79	53,000,000	29,596,000	82,596,000	14.22	2.1%
1979-80	55,341,050	29,292,661	84,633,711	14.36	1.9%
1980-81	62,173,700	30,329,757	92,503,457	15.53	2.1%
1981-82	65,062,550	30,062,040	95,124,590	15.81	2.0%
1982-83	75,020,500	38,772,567	113,793,067	18.73	2.2%
1983-84	79,525,500	38,288,000	117,813,500	19.11	2.0%
1984-85	76,077,250	38,401,500	114,478,750	18.30	1.7%
1985-86	75,781,250	38,445,500	114,226,750	18.06	1.5%
1986-87	64,506,250	38,445,500	102,951,750	16.07	1.2%
1987-88	73,929,627	32,453,812	106,383,439	16.41	1.3%
1988-89	71,636,370	37,295,105	108,931,475	16.58	1.2%
1989-90	69,083,445	38,491,163	107,574,608	16.16	1.0%
1990-91	71,259,383	37,392,600	108,651,983	16.10	1.0%
1991-92	79,683,770	38,227,230	117,911,000	17.26	1.0%
1992-93	89,020,478	38,018,250	127,038,728	18.29	1.1%
1993-94	86,368,214	37,359,875	123,728,089	17.52	0.9%
1994-95	113,399,264	27,631,295	141,030,559	19.63	1.1%
1995-96	120,176,561	25,133,780	145,310,341	19.88	1.2%
1996-97	119,601,436	4,978,215	124,579,651	16.77	1.1%
1997-98	111,742,579	0	111,742,579	14.81	1.0%
1998-99	192,350,072	28,357,925	220,707,997	28.85	1.5%
1999-00	182,507,249	27,607,550	210,114,799	27.09	1.4%

North Carolina Annual Debt Service
(Principal and Interest)

Fiscal Year	General Fund	Highway Fund	Total Debt Service	Total Per Capita	G.F. Debt Service as a % of G.F. Revenue
2000-01	254,819,455	26,857,175	281,676,630	34.88	1.9%
2001-02	302,612,023	26,106,800	328,718,823	40.15	2.3%
<u>Projected as of November 2002</u>					
2002-03	304,550,585	25,356,425	329,907,010	39.57	2.1%
2003-04	426,331,265	24,606,050	450,937,315	53.14	3.0%
2004-05	497,241,520	23,855,675	521,097,195	60.35	3.3%
2005-06	552,992,820	23,105,300	576,098,120	65.59	3.4%

North Carolina Bond Indebtedness
(Includes General Obligation Bonds Only)

Fiscal Year	General Fund	Highway Fund	Total Bond Indebtedness	Total Per Capita	G.F Debt as a % of G.F. Revenue	As a % of Personal Income
1970-71	174,780,000	240,000,000	414,780,000	79.58	18.1%	2.4%
1971-72	208,360,000	217,000,000	425,360,000	80.30	19.0%	2.2%
1972-73	194,995,000	199,000,000	393,995,000	73.17	14.8%	1.8%
1973-74	215,370,000	181,000,000	396,370,000	72.54	14.5%	1.6%
1974-75	305,870,000	163,000,000	468,870,000	84.66	19.2%	1.8%
1975-76	418,900,000	145,000,000	563,900,000	100.73	24.5%	1.9%
1976-77	530,600,000	127,000,000	657,600,000	115.90	26.3%	2.0%
1977-78	507,200,000	164,000,000	671,200,000	116.82	23.1%	1.8%
1978-79	533,300,000	201,000,000	734,300,000	126.43	21.4%	1.8%
1979-80	574,750,000	179,000,000	753,750,000	127.86	20.2%	1.6%
1980-81	544,200,000	219,000,000	763,200,000	128.15	18.0%	1.5%
1981-82	582,700,000	323,000,000	905,700,000	150.48	18.0%	1.6%
1982-83	630,900,000	306,500,000	937,400,000	154.25	18.5%	1.6%
1983-84	589,200,000	290,000,000	879,200,000	142.62	14.9%	1.3%
1984-85	548,500,000	272,500,000	821,000,000	131.26	12.1%	1.1%
1985-86	508,000,000	254,000,000	762,000,000	120.51	10.3%	0.9%
1986-87	525,500,000	250,000,000	775,500,000	121.06	9.7%	0.9%
1987-88	481,410,000	226,750,000	708,160,000	109.23	8.3%	0.7%
1988-89	457,698,902	202,730,000	660,428,902	100.54	7.4%	0.6%
1989-90	412,038,903	175,965,000	588,003,903	88.33	5.9%	0.5%
1990-91	441,378,903	148,635,000	590,013,903	87.44	6.1%	0.5%
1991-92	548,678,902	118,695,000	667,373,902	97.69	7.0%	0.5%
1992-93	493,678,902	87,055,000	580,733,902	83.59	6.0%	0.4%
1993-94	936,191,005	55,285,000	991,476,005	140.42	10.3%	0.7%
1994-95	990,245,681	29,445,000	1,019,690,681	141.91	9.9%	0.7%
1995-96	940,252,373	4,895,000	945,147,373	129.34	9.4%	0.6%
1996-97	1,508,215,259	0	1,508,215,259	203.03	13.8%	0.9%
1997-98	1,867,480,343	250,000,000	2,117,480,343	280.62	15.9%	1.1%
1998-99	2,212,108,040	233,325,000	2,445,433,040	319.64	17.4%	1.2%
1999-00	2,286,848,925	216,650,000	2,503,498,925	322.76	17.4%	1.2%

North Carolina Bond Indebtedness
(Includes General Obligation Bonds Only)

Fiscal Year	General Fund	Highway Fund	Total Bond Indebtedness	Total Per Capita	G.F Debt as a % of G.F. Revenue	As a % of Personal Income
2000-01	2,832,409,153	199,975,000	3,032,384,153	375.47	21.3%	1.4%
2001-02	3,274,944,986	183,300,000	3,458,244,986	422.35	24.9%	1.5%
<u>Projected as of November 2002</u>						
2002-03	3,937,497,828	166,625,000	4,104,122,828	492.29	27.5%	1.7%
2003-04	4,579,479,379	149,950,000	4,729,429,379	557.33	32.3%	1.9%
2004-05	5,020,101,427	133,275,000	5,153,376,427	596.82	33.2%	2.0%
2005-06	5,383,910,995	116,600,000	5,500,510,995	626.21	33.2%	2.0%

**ACROSS-THE-BOARD SALARY COST
FOR EACH 1% INCREASE
(MILLIONS)**

YEAR	GENERAL FUND	HIGHWAY FUND
1971-72	\$8.40	\$1.17
1972-73	8.43	1.17
1973-74	10.13	1.35
1974-75	12.27	1.51
1975-76	No Increase Granted	
1976-77	13.91	1.73
1977-78	15.79	1.84
1978-79	17.44	2.01
1979-80	18.86	2.13
1980-81	21.29	2.26
1981-82	25.14 ^a	2.51 ^a
1982-83	No Increase Granted	
1983-84	25.97	2.57
1984-85	27.60	2.70
1985-86	32.10	2.50
1986-87	36.45	2.66
1987-88	40.84 ^b	2.72
1988-89	45.40	2.93
1989-90	47.75	2.93
1990-91	55.90	3.35
1991-92	No Increase Granted	
1992-93	54.11	3.39
1993-94	55.75	3.48
1994-95	58.28	3.64
1995-96	63.56	3.96
1996-97	66.77	3.98
1997-98	70.22	4.19
1998-99	75.33	4.64
1999-00	80.69	4.00
2000-01	86.45	4.33
2001-02	89.73	4.32
2002-03	91.05	4.19

^a Figure reflects annual cost, even though the increase was not effective until January 1, 1982.

^b Figure does not reflect adjustment to offset anticipated savings from the tax sheltering of employee Health Benefits from Social Security tax.

LEGISLATIVE INCREASES

YEAR	STATE EMPLOYEES	TEACHERS
1965-67	10%	10%
1967-69	6%	20%
1969-70	Average 10% (7.5% to 13.9%)	10%
1970-71	2%	10%
1971-72	5%	5%
1972-73	5%	5% (employment extended 185 to 187 days = 1% salary increase)
1973-74	5% + (5% for those under \$2.75/hour)	5% + (employment extended 187 to 200 days = 7% salary increase and 1 step added to schedule)
1974-75	7.5%	7.5%
1975-76	-0-	-0-
1976-77	4% + \$300 (average 7.2%)	4% + \$300 (average 6.8%)
1977-78	6.5%	6.5%
1978-79	6%	6%
1979-80	5% + (\$200 one-time bonus payment)	5% + (\$200 one-time bonus payment)
1980-81	10%	10% + (Salary schedule changed = 2% to 10% added to each step of salary range)
1981-82	5% (effective 1-1-82)	5% (effective 1-1-82)
1982-83 ^a	-0-	-0-
1983-84 ^a	5%	5%
1984-85 ^a	10%	10% + 4.8% salary classification adjustment
1985-86 ^b	5% + 1 step increase (9.6%)	1 step increase (4.8% - second year teacher - 2-step increase or more teacher

LEGISLATIVE INCREASES (Continued)

YEAR	STATE EMPLOYEES	TEACHERS
1986-87	\$75 month (average 6%)	6.5%
1987-88	5%	5%
1988-89	4.5%	4.5%
1989-90	4% + 2% merit funds	6.65% average
1990-91	4% + 2% merit funds	6.15% average
1991-92	-0-	-0-
1992-93	\$522	2% average
1993-94	2% + 1% one-time bonus payment	3% average
1994-95	4% + 1% one-time bonus payment	5% - 1-3 years 7% - 4-29 years
1995-96	2%	2%
1996-97	2.50% COLA + 2% career growth	5.50%
1997-98 ^c	2% COLA + 2% career growth	4% - 9%
1998-99	1% COLA + 2% career growth + 1% one-time bonus	4% - 9%
1999-00	1% COLA + 2% career growth + \$125 Compensation Bonus	4%-11%
2000-01	2.2% COLA + 2% career growth + \$500 Compensation Bonus	2.5%-13.8%
2001-02	\$625	1.0% to 6.92% (2.86% average)
2002-03	-0-	0.0% to 5.85% (1.84% average)

a Salary increment program frozen

b Conditional upon continuous employment for one year

c Most teachers received between 4%-9%. Teachers receiving National Board of Professional Teaching Standards (NBPTS) certification were eligible for larger increases.

AVERAGE SALARY OF EMPLOYEES SUBJECT TO THE PERSONNEL ACT

YEAR	AVERAGE SALARY ^{1,2}
1966-67	\$4,995
1968-69	5,707
1970-71	6,748
1972-73	7,680
1973-74	8,249
1974-75	9,013
1975-76	9,092
1976-77	9,431
1977-78	11,060
1978-79	11,756
1979-80	12,677
1980-81	14,233
1981-82	15,329
1982-83	15,329
1983-84	16,026
1984-85	17,587
1985-86	18,742
1986-87	20,290
1987-88	21,305
1988-89	22,272
1989-90	23,105
1990-91	23,397
1991-92	24,665
1992-93	25,152
1993-94	25,645
1994-95	26,605
1995-96	27,087
1996-97	27,473
1997-98	28,166
1998-99	30,332
1999-00	31,385
2000-01	32,803
2001-02	33,474

NOTE: (1) Prior to 1972, computations were made every two years.

(2) The average salary figures show all permanent SPA employees at a particular point in time. During these years, new programs were added and SPA coverage was extended to positions previously exempt. When new positions were added at salaries above the average or at salaries below the average, this resulted in an increase or decrease in average salary levels. **Therefore, changes in average salaries are not measures of salary increases or decreases.**